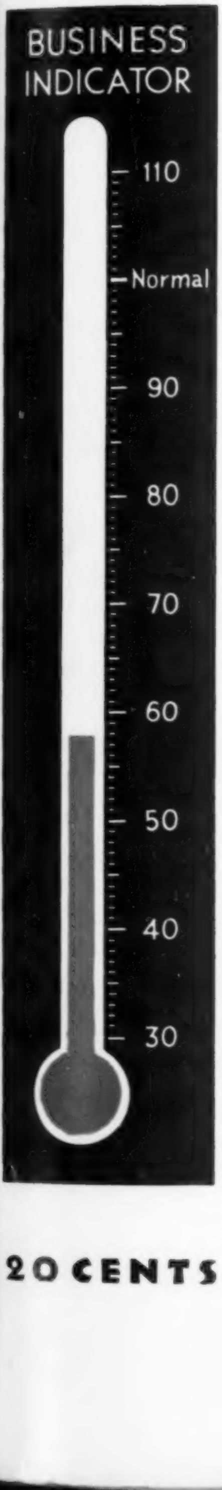
MARCH 9, 1932

THE BUSINESS WEEK



Although February showed a further sharp decline in almost all indicators of industrial and trade activity, that month may prove the most important in the whole period of depression in its contribution toward recovery . . . . The strengthening of the banking structure has eased the domestic credit strain and March sets in with fairly hopeful signs that the acute stage of the financial crisis has been safely passed. Easing of money rates both here and abroad, like the falling temperature of a fever patient, is an encouraging symptom of convalescence . . . . The picture in Britain particularly has brightened considerably with the strengthening of sterling and the stimulation of domestic activity under intelligent internal monetary policies and external trade controls . . . . Retardation of the decline in the commodity price level, fairly steady improvement in the bond market under individual investment demand, restrained speculative activity in stocks, falling off in bank suspensions and currency circulation may all be considered constructive indications of early stabilization . . . . Building figures begin to look a little better, especially in the public construction classification. Release of automotive demand and some resumption of railroad buying are expected to supply the postponed seasonal stimulus to steel . . . . After the Ides of March have come and gone it should be possible to tell whether the forces of credit expansion have begun to operate and the business tide to turn.

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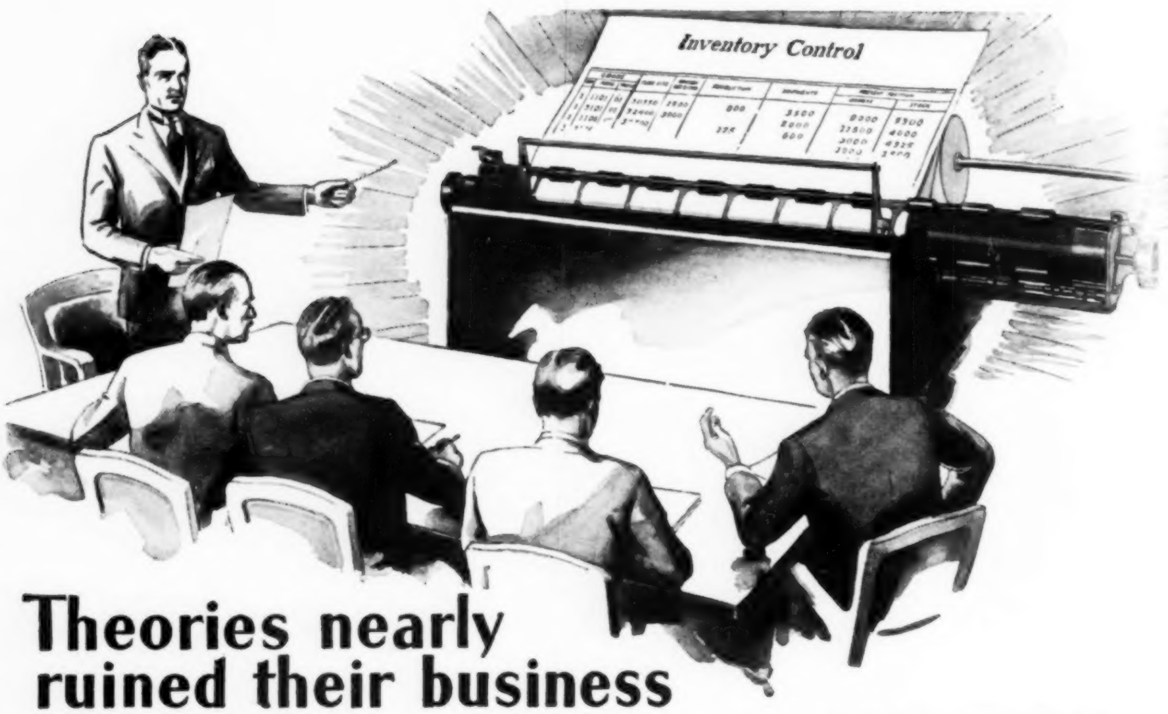

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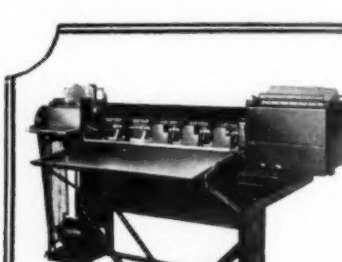

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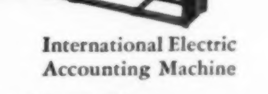

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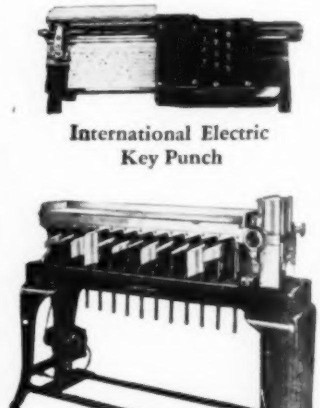

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This Business Week:

Washington

The Administration has mustered every resource in the drive for credit expansion; the noblest economic experiment in history is under way. Everything now depends on the banks passing along the credit to business, on business turning it into trade. This is zero hour for the Big Push that will get the charts out of the deep dugouts by Christmas. *(Editorial, p. 36)*

Thirteen figures will tell you how the Reconstruction Push is progressing. What to look for in these dispatches from the economic front. *(p. 5)*

Business in general doesn't want to beat the anti-trust laws, but it would like to know just where cooperation stops and "restraint of trade" begins. Legislation, now under discussion, would go so far as to permit elimination of uneconomic trade practices, protect against prosecution, but no farther. *(p. 19)*

New Products

Out of the need for light-weight strength in the new rail-car has come a new process of steel construction perhaps more important in its potentialities than the car itself. *(p. 7)*

Architects, too, have a new material which opens up another approach to their old problems. Glass bricks with prismatic sides gather light, protect privacy. *(p. 8)*

Another new idea paradoxically uses metal of high heat conductivity as insulation; crumpled aluminum foil, full of air spaces, baffles heat transmission. *(p. 8)*

Marketing

To build future load, gain immediate business, the electrical industry is switching its sales pressure to the kitchen. Faster ranges, lower rates, make possible the big campaign to sell stoves; foretell a fight with gas which may have to concentrate on househeating—perhaps to its ultimate advantage. *(p. 9)*

New York's biggest hotel sold its way out of the slump in the hotel business by personalizing its services. *(p. 22)*

Those sections of the country which count on the tourist trade are getting ready to merchandise vacations in 1932. *(p. 24)*

Cunard sells sea trips on the instalment plan. *(p. 25)* Hood Rubber redesigns its line to foil imitators. *(p. 12)* Newly organized candy makers take steps to stop "returned goods" selling. *(p. 11)* Detroit milk producers will handle their own surplus. *(p. 18)*

Textiles

Reports of individual company successes confirm the impression that the industry as a whole is doing considerably better. *(p. 12)*

Relief

Federal unemployment relief continues to keep Congress uneasy. New proposals for emergency aid would make it possible through federal loans to help states to help themselves. *(p. 16)*

Supporters of federal relief are looking to a survey of conditions in New York, now being conducted, for evidence of relief needs. *(p. 16)*

Ford parts, made in Toledo, are boosting employment there. Other communities are feeling a decided local pickup. *(p. 11)*

One local relief scheme, based on "round-robin money," presents a neat problem in the mathematics of absurdity. *(p. 17)*

Economics III

Further analysis of the price collapse breaks it down by commodity groups, shows that the unevenness of the drop has worked special hardships on large classes. Recovery depends on one or another of these things, or a combination of some of all three: (1) reduction of old debts to present price levels; (2) restoration of present prices to old levels; (3) increased production efficiency. *(p. 20)*

Foreign

How do the many new currency changes and trade restrictions in Europe affect American exporters? *The Business Week* has prepared 2 maps which show, graphically, where foreign exchange restrictions and trade barriers limit markets. *(p. 26)*

Cabled reports indicate some revival of world financial markets despite commodity prices and industrial activity, which continue low. *(p. 28)*

Figures

No quickening of general business activity is apparent in the records. Steel still waits for Ford. February building contracts look better than January. Check payments hit a new low. *(p. 32)*

Finance

Savings banks are herding closer together for mutual protection, working toward a "reserve system" of their own. *(p. 13)* First-quarter earnings will show whether business can live on its present rations. *(p. 13)* The President's bankruptcy bill caps off the case against the abuses of the law. *(p. 13)*

Federal Reserve Banks began open market operations; currency in circulation declined; so did bank failures; money rates eased following reduction of discount rate; credit conditions relaxed on an international scale; altogether an encouraging week. *(p. 34)*

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending March 5, 1932

Thirteen Signs Will Reveal Status of Reconstruction Drive

Since the underlying philosophy is monetary, financial statistics will tell the most

WASHINGTON'S financial attack on depression now is in progress on many fronts as President Hoover's signature this week made the Glass-Steagall bill law. Thirteen distinct forces have been set in motion by the Administration; thanks to the speedy action of Congress and other agencies, 10 of them have become at least partially operative since last fall, several major ones in recent weeks.

The country sits in the seat of the anxious. Will the measures be successful? The Ides of March already are revealing their portents. By late spring the success or failure of the attack probably will be apparent. Business indicators are being scanned with increasing intensity. Thirteen key figures will tell the story of the drive's progress week by week. These, together with the percentage change from a week and a month ago, are listed on this page.

Stimulation Needed

The philosophy on which the nation's fight against depression is based is a monetary one. Business is retarded, the reasoning goes, by financial stringency. Business is ready to go ahead when that stringency is eliminated, when money is available more freely. This means both short-term and long-term money. Therefore the banks, which supply the former, must be caused to lend more freely, and the securities markets, which supply the latter, must be stimulated. By increasing the supply of money, more purchasing power will be created. This will bring a demand for goods and services and prices will rise. Stated differently, a larger supply of money will lessen the purchasing power of the dollar, which means higher prices.

Never before has such a philosophy been accepted so openly or pushed with such power. America's fight against depression, therefore, is a monetary experiment of the first order. Regardless of result, it probably will test conclusively the possibilities of stimulation through monetary devices.

The measures through which the attempt is being pushed fall into two groups. The first and larger group includes those intended to help banks and other financial institutions, thus to enable or even force them to lend more freely and to buy more securities. The result is to increase purchasing power.

The earliest of these was the moratorium, negotiated last spring and passed by Congress in December. By postponing payments on war debts owed the United States government, an outright European financial collapse which would have had serious repercussions here was avoided. Nevertheless it subsequently was necessary to freeze most of the foreign assets of American banks, and this sudden loss of liquidity was a powerful force in causing them to pursue thereafter a more stringent policy. The moratorium ends July 1, 1932, but no payments are due until December.

The National Credit Corporation came next, in October, 1931. Banks of the country were asked to subscribe 2% of their deposits to a pool, from which needy banks could draw funds in emergency. Some $500 millions was contemplated; subscriptions reached $450 millions, only 30% of which was ever called for payment. The Corporation made 750 loans to 575 separate institutions, totaling about $155 millions. But its desire for safety of its loans, the fact that it merely took funds from one bank to lend to another, and the unwillingness of many banks to cooperate to the fullest extent made it an inadequate instrument. It still exists, but is liquidating its affairs.

Reconstruction Regions

After this came a number of measures designed to relieve financial stringency and to stimulate the use of funds. Most important was the Reconstruction Finance Corporation, which lends to all types of financial institutions, to railroads, to agriculture, and to finance exports. Through Feb. 26 it had lent about $48 millions, and the I.C.C. on Feb. 29 authorized $51.5 millions additional to railroads. The Corporation was given $500 millions from the Treasury, and authorized to borrow $1.5 billions more. Applications are rumored to be well above the $2 billions total.

Supplementing the Corporation's aid to railroads, the I.C.C. authorized a rate increase, the proceeds of which are be-

What to Watch

These figures will be first to reflect the effects of the administration's war on depression. Encouraging changes appear in bold type, unfavorable in italics

Indicators	*1932*	*% Change in a Week*	*% Change in a Month*
These should be earliest to show progress:			
Money in Circulation	Mar. 2*	**—0.2**	**—0.9**
90 Stocks (Standard Statistics)	Mar. 3	**+4.5**	**+7.8**
40 Bonds (Dow Jones)	Mar. 3	**+1.0**	**+1.8**
Brokers' Loans	Mar. 2	**+1.2**	*—2.0*
Member Bank Borrowings from Federal Reserve	Mar. 2	**—0.8**	**—3.1**
Federal Reserve Open Market Policy (Holdings of Government Securities and Acceptances)	Mar. 2	**+0.2**	*—3.3*
Bank Failures — Number	January	....	**—6.7**
U. S. Gold Stock	Mar. 2	**0**	*—1.3*
Member Bank Reserves	Mar. 2	**+1.3**	*—1.8*
These signs should follow promptly:			
Total Loans and Investments of Weekly Reporting Member Banks	Feb. 24	*—0.6*	*—1.9*
Fisher's Wholesale Price Index	Feb. 26*	**0**	*—1.2*
The Business Week Index	Feb. 27*	*—2.5*	*—5.9*
Employment — Manufacturing (89 industries)	January	....	*—2.8*

*Week Ending

The Business Week

ing pooled and lent to needy roads. Railroad employees have accepted a 10% wage reduction. Both of these measures are in effect.

Agriculture, too, got additional help. The Federal Land Banks' capital was increased and they were authorized to extend loans in needy cases. For those purposes Congress appropriated $125 millions from the Treasury, of which $46.8 millions had been taken through Feb. 25.

Glass-Steagall Bill

The Glass-Steagall bill was the culmination of the series. It makes easier the access to the Federal Reserve Banks, enabling members to borrow with greater facility. Secondly, it removes restrictions from the Reserve Banks, fortifying them against possible currency increases and foreign withdrawals, thus enabling them to carry on open market operations to force credit expansion with safety to themselves.

The anti-hoarding campaign is designed to remove the danger to banks from further withdrawals, and to bring money back into the banks and into trade.

Three other integral points of the program have not yet been passed by Congress. The President is sponsoring a move for a central mortgage rediscount bank in order to ease, possibly to expand, real estate credit. Congress is considering this proposal. The President has called for revision of the banking laws to safeguard depositors more adequately, a demand in which many join. The Glass bill was brought forward for this purpose, but has been turned back for revision. Finally, the Administration proposes to balance the federal government's budget as an absolute necessity to recovery. Attempts to do so are still in the formative stage.

Drive on Buying Power

Three measures aim directly to increase purchasing power. The anti-hoarding campaign should bring out hoarded money. Secondly, numerous moves are under way to relieve depositors in closed banks, and thus make available immediately purchasing power which now is frozen. The Reconstruction Corp. is enabled to use a part of its funds for such purposes, and other bills are pending in Congress aiming at the same goal. Thirdly, Washington has been attempting to relieve unemployment. At first wage cuts and discharges were opposed; now the plea is to give part-time work. Simultaneously the President has urged adequate relief locally for the unemployed. There is much doubt as to the success of this effort, and more and more members of Congress have adopted the view that relief should be direct from the Treasury.

Progress which this massed drive makes will be quickly recorded in certain key indicators. Watching these, anyone may observe from week to week the successes or reverses of the program.

Of cardinal significance are a group of financial figures made public weekly. Currency in circulation is an adequate measure of the success of the anti-hoarding campaign. Declines greater than normal will mean that purchasing power is coming out of hoarding, that the banks are being strengthened. More than normal rises will indicate failure, and should rises in very large volume occur, the whole move will fail, for the banks will not dare to expand credit so long as the threat of runs hangs over them.

Open Market Policy

Federal Reserve open market policy may be read from the figures showing acceptance and government security holdings each week. An increase means aggressive efforts for credit expansion. Declines or steadiness mean that the Federal Reserve is doing nothing more than easing money rates slightly, through its discount rates.

Borrowings of the member banks at the Reserve system reveal a factor powerful in determining member bank policy. The higher their indebtedness, the less willing are banks to lend to expand credit.

Weekly figures on brokers' loans reveal the extent of speculative activity in the securities markets. A rise would indicate betterment.

Gold figures reveal the condition of the base of all money and credit. Marked declines due to foreign withdrawals might tighten credit.

The reserves of member banks, published weekly, reveal their growing or contracting ability to expand their credit.

The success of stimulating the securities market can be measured directly by stock and bond quotations. In these markets, business must raise the long-term money it desires.

Loans Will Show Trend

The weekly figures showing the total of member bank credit will reveal the movement in short-term loans. This total is adequately subdivided and the detailed figures will reveal exact trends. The statements published weekly show the trends in various types of assets, and also the changes in deposits.

The course of bank failures is another indicator of vital importance. During the past 2 weeks the rate has fallen to half of that earlier in the year.

These financial figures will show the immediate successes or reverses. But the final acid test will be the effect upon prices, business, and employment.

Emergency Cases Get First Railroad Loans

THE Interstate Commerce Commission's approval of loans to railroads from the Reconstruction Finance Corp., made public this week, reveals that emergency cases will be attended to first. Only then will consideration be given to roads such as the New York Central and the Pennsylvania, which want to borrow funds for construction and equipment.

The extent of such project loans will depend on the funds at the corporation's disposal and on the amount required to tide over the railroads in meeting maturities. Such obligations this year amount to approximately $400 millions: bonds, $70 millions; equipments, $110 millions; notes and bills, $225 millions.

Opening the Reservoirs

How large a figure the Reconstruction Corp. will cut in these transactions, cannot be predicted with certainty. Expectation is that establishment of the government-owned corporation will reopen the ordinary reservoirs of credit to the railroads. But pending developments, the Washington board obviously will play close to its chest.

Loans obtained from the Railroad Credit Corp. will, of course, reduce the demand upon the Reconstruction organization. Judging by the volume of traffic so far this year and the amount collected in freight rate surcharges during January, it appears that the Credit Corp. will have approximately $80 millions to help eligible roads whose earnings fall below fixed charges in 1932. In the meantime, Washington has come to the rescue, because of the slow accumulation of surcharge funds.

To date (March 2), the I.C.C. has approved loans of $53,647,175 on 13 applications for a total of $168,084,908. Amounts in every case have been pared down to immediate requirements. Fifteen applications are pending for a total of $60,557,442. Maturities, interest charges and taxes constitute the major items for which loans are sought.

Assurance that railroad taxes will be paid will be good news to many states and communities whose treasuries are low, but the roads generally have not scheduled much improvement work that is not actually necessary.

Shot-Welding May Shift Whole Trend of Steel Construction

New process finally makes possible wide use of the light-weight stainless metal

ENGINEERS who have been studying last week's news of the Budd–Micheline railcar (*BW—Mar2'32*) are saying this week that Budd Manufacturing Co. has contributed to industry something of far greater importance than a rubber-tired substitute for the train. In the building of this car they find the pattern for a new type of construction technique which promises to have far-reaching influence upon construction materials, designs, and methods; may bring about a minor revolution in the field of construction.

Means Big Weight Saving

The Budd development makes possible for the first time the use of thin steel sections by means of which drastic weight reductions can be achieved at no sacrifice of strength, stiffness or durability.

The nub of it all lies in the "shot-welding" process developed by Budd engineers, which permits stainless steel to be welded without destroying its corrosion-resistant properties.

It has long been known by designers that box-type girders and similar applications of thin sections provide at much less weight as much strength as can be obtained by standard shapes and thick sections. The hitch has been that when really thin sections of ordinary steel are used corrosion becomes so destructive that their practical application has been virtually nil.

With the development of stainless steels—which are really irons with high chromium and nickel content—a solution was expected. But stainless steels of high tensile strength—containing 18% Cr and 8% Ni—are so tough that fabrication with rivets is uneconomical, and when welded, the heat of the electrodes separates the chromium and forms a spot which is subject to destructive rusting.

Budd engineers have solved the problem with a system of welding under carefully controlled conditions of current, time, and pressure, which forms welds so quickly that the chromium has no time to separate. This "shot-welding" process uses unusually high amperages—1,200 for 1/32 in. material—and an automatic time switch which varies the time of application of the current from 0.01 to 0.001 sec. depending upon the thickness of the metal being welded. Such welds form joints at least as strong as the parent metal and do not affect its corrosion-resisting properties.

Await New Data

But there was virtually no information on the behavior of thin sections under stress; since they were not available for practical application, engineers had not bothered to collect data. Before Budd engineers could apply their new process to actual designs they had to carry on extensive tests under all sorts of conditions and in all design combinations. This work is still going forward. Results to be published shortly will make available to all engineers data applying to thin sections of stainless steel.

Properly heat-treated stainless steel ranks among the strongest of metals, with tensile strength of 200,000 lb. per sq.in. Duralumin, the lightest construction material now generally available, has an ultimate strength of about 75,000 lb. per sq.in. and a modulus of elasticity—criterion of stiffness, important factor in compression stresses—about one-third that of stainless steel. It has been possible to construct box girder sections of thin stainless steel which, weight for weight, are 50% stronger than similar sections made of duralumin.

Aluminum Next in Line

Since experiments now under way presage new aluminum alloys of much greater strength than those now available there is some doubt how long stainless steel will hold the pre-eminent place it has now assumed. But it is evident that developments in new construction materials will be expedited by the Budd achievement.

Application possibilities are tremendous. Wherever weight is an important factor—which is nearly everywhere—consideration will have to be given to the new material as a possible replacement for standard shapes and sections

Keystone

TAX HUDDLE—*"Where will we get the money?" is the question before the House Ways and Means Committee. These gentlemen are trying to find the answer. Seated, are B. H. Bartholow and A. W. Gregg of the Treasury; Under Secretary Ballantine; L. H. Parker, chief of staff of the joint committee on internal revenue taxation; Secretary Mills (with the good cigar). Standing, are Middleton Beaman, of the legislative council of the House; Dr. Stark, economist of the Treasury*

of ordinary steel. Particularly for vehicles and all moving objects exigencies of cost-weight ratios will necessarily direct designers' attention to the potentialities of thin sections of stainless steel.

Metal and Felt Joined To Resist Corrosion

A NEW type of protected metal for use where great resistance to corrosion is required has recently been developed by Mellon Institute of Industrial Research and named Robertson-Bonded Metal (R-B-M). It is a laminated metal-felt material in which felted materials are cemented to steel under heat and pressure, utilizing metals as adhesives. The felts can be saturated with suitable substances chosen to resist the particular corrosive conditions to which the metal will be subjected. Use of asbestos felt, together with a fireproof saturant, is possible. Paint, lacquer, and resin films can be applied to the new metal.

The ductile nature of the bond between the felt and metal is said to make it possible to work the material in any way without destroying the adhesion between them. Sponsors claim for the new metal the strength of bare steel with none of its reverberative qualities. They foresee many applications—in building, for pipe protection, for novelties.

Now That There Are Glass Bricks Glass Houses Can Come Any Time

INCREASING demand for more light in commercial buildings, residences, factories, has prompted Corning Glass Works to undertake the development of a commercially practical glass brick.

No attempt has been made to develop a product that could compete in price with other building materials. The aim has been to combine the best features of other materials with the special advantages of glass.

The new glass brick, intended chiefly for non-weight-bearing walls, is shaped like but deeper than an ordinary clay brick. In cubic dimensions 2 glass bricks equals 3 standard clay ones. Open on one side, the glass brick is provided with necessary ridges and counter-sunk spaces to facilitate quick and accurate placement. Ordinary cement mixed with 1½ parts screened sharp sand is used for mortar.

To increase its light-gathering qualities the sides of the glass brick carry prismatic ridges. Incidentally, these are placed so as to make it impossible to see through the brick.

To provide a maximum of strength and safety, reduce ordinary fire hazards, the Corning glass brick is made of Pyrex glass, extremely heat-resisting, not liable to break through sudden temperature changes and careless handling as ordinary glass would be. As a heat and sound conductor it compares favorably with a clay brick.

The materials used in its manufacture are subjected to special treatment, production progresses under extremely high temperature, and the annealing cycle is extended to 9 hours, raising the temperature at which the finished product would soften to 700-800 deg. C. compared with 400-500 deg. C. for ordinary glass. Crushing strength exceeds that of the common clay bricks.

Architects see in the development of a commercially practical glass brick the possibility of erecting entirely new types of buildings. They consider it probable that the first use of glass brick will be for gasoline service stations, which are generally small in size, open on all sides, would derive maximum benefit and valuable advertising from glass construction. Builders of commercial and industrial structures may fill the areas between windows with glass brick. In some factories glass brick roofs may be employed.

Designers of single and multiple residential buildings suggest that with practical equipment for complete air-conditioning now available (*BW—Feb10'32*) the erection of practically windowless homes chiefly built of glass brick is more than a mere possibility.

Owens-Illinois Glass Co. is reported to be also developing glass brick of both hollow and solid construction, is expected to announce shortly the results of final tests now under way and plans for marketing the new product.

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GLASS BRICK—*Privacy will not be sacrificed; the same ridges which limit transparency also act as prisms to gather light. Possibilities are numerous*

Research Puts Aluminum In the Insulation Field

SINCE most metals conduct heat a thousand times more easily than do most common insulating materials it seems foolish, on first thought, to consider the

use of aluminum—which has even higher conductivity than most metals—as the basis for a heat insulating material. But this is just what has been done in a development, new to this country but familiar to Europe. The explanation is that, although metal is not a good insulator, the use of a very small amount of metal to enclose a large amount of air results in highly efficient insulation, provided some method be devised to eliminate the convective and radiant currents.

Also Reflects Heat

The new method uses sheets of aluminum foil slightly crumpled and stacked upon one another so that countless air spaces of irregular shapes and sizes are obtained. An additional advantage claimed for the use of bright aluminum foil lies in the fact that, at relative low temperatures, bright metals reflect about 95% of the radiant heat striking them. And, whereas most metals tarnish with use, aluminum forms a thin oxide upon exposure to air which protects it from further corrosion but which has no appreciable effect upon its brightness.

Very thin sheets of foil—0.00025 in. thick—are used; 3 crumpled layers per inch appear to give best results according to exhaustive tests made at Battelle Memorial Institute, Columbus, O. Such a combination has a conductivity of 0.32 British Thermal Units—the same as standard corkboard—weighs one-tenth as much.

Better insulating values at some sacrifice of weight can be obtained by using flat sheets of foil or foil covered paper stretched over a lattice of thin wood. Tests indicate that best results are obtained with sheets spaced ½ in. apart.

Useful for Containers

The unusually low weight per volume ratio of crumpled foil insulators suggests their value for installations where weight is important—as in shipping containers, cars, trucks, tank and refrigerating cars, ships and similar applications. The flat sheet method has been used for pipe insulation, has been applied to a new electric refrigerator.

Comparative tests at Battelle with standard wall sections, 4 in. thick, show that when sheathing and plasterboard alone were used to enclose the air spaces between studding, heat conductance was 0.376 B.T.U. When a single sheet of foil was attached to the inside of the sheathing, it was reduced to 0.196 B.T.U. When the sheet of foil was inserted so as to divide the air space between the inside and outside wall surfaces it came down to 0.135 one-third that of the bare wall.

Electricity Starts War to Push Gas Down Into the Basement

Campaign to sell million electric ranges foreshadows battle between utilities

THE coming of speedier, more economical electric ranges for the kitchen is no small event to either the electric or the gas industries.

It forecasts a big war between electricity and gas. In the last war, the one over house-lighting, gas was 100% defeated. Now the gas industry foresees the opening of a great offensive which aims to chase it into the cellar of the private residence for good. This may happen—yet not be disastrous. If gas eventually loses out in cooking, as it did in lighting, and so is forced to develop house-heating and water-heating markets, it may emerge better off.

$12 Millions Advertising

A 3-year "500 million" industry campaign to sell electric ranges is on foot—originally begun by the National Electric Manufacturers Association as a $200 million campaign for themselves (*BW—Dec23'31*). The plan is to spend $12 millions for advertising. The goal is to sell 225,000 ranges the first year, 325,000 the second, 500,000 the third —i.e., in 3 years, gear up the electric range industry to an annual sale of 500,000 or more continuously.

Of the $500 millions in added business sought in these 3 years, $83 millions is to go to range manufacturers direct. Another $117 millions is added business that will be created for miscellaneous electrical manufacturers who will supply tremendous amounts of equipment to make and distribute the added load. A single new range adds as much to the load as 3 or 4 new domestic customers. New transformers, meters, heavier wiring, etc., are needed at the point of consumption. Need for added equipment goes clear back to the source of energy at the power plant. Electrical wiring contractors will get $50 millions for house wiring; the electric range retail dealers will share in a new market of $165 millions. Electric construction work for added facilities needed by electric utilities will amount to $75 millions. Then there is $91 millions added revenue to the utilities for electric current.

That manufacturers far removed from selling to domestic consumers are helping defray cost of the campaign is evidence of progress in furthering the idea of industry cooperation.

"Gas interests are unduly fearful," says one of the organizers. "The million sales we are after in 3 years represent only 5% of the 21,000,000 residential users of electricity. Many of the sales will be in areas which gas does not serve. Gas men will have considerable time to adjust themselves to the new order of things."

American Gas Association is getting busy on a campaign in defense of gas cookery in the home.

It would be better, some say, to expend the same effort selling gas into the house-heating market, where every sale made means a much larger volume than does every kitchen stove kept in use. As is now looks, however, the gas people are going to wage defensive and offensive campaigns at the same time.

The situation is complicated by the fact that in so many cases electric power and gas companies are under the same ownership.

How Joint Control Works

In one of the large cities, for example, where the direction of both the electric and the gas utilities meets in a common head, an ambitious program of one distributor to put over the electric range in a big, flashy way was considerably slowed down. Slower, more orderly progress, was the "dual ownership" idea —progress no more rapid than that of the gas utilities' house-heating campaign. Had the ownership control been separate, as it is in some other large cities, the electric utility would have broadcasted its recently filed rate for electric cooking—3¢ per kilowatt hour —instead of soft-pedalling it. This 3¢ is the average cooking rate adopted by utilities generally. It satisfactorily meets gas competition. Even though the per month bill should be a little more, cleanliness, safety, ease of control, accurate regulation, and other advantages make sales possible. The average family electric cooking bill is $4.55 per month.

To date electric ranges have been sold by utilities. Analysis of sales figures indicates clearly that they have been sold where, when, and as the utilities desire. Sales have been largest in smaller cities

and in the Northwest, where lack of industrial load has forced utilities to develop the electric range as a current consumer. Especially is this the case in the far Northwest where large surplus quantities of electricity are on the market, due to development of hydro properties well ahead of demand for current. Idaho already has 52% of electric users operating electric ranges. In Portland, Seattle, and Spokane the proportion runs around 30%.

New Consumers Fewer

Interest in electric ranges is stimulated among executives of electric utilities because the annual increase in new domestic customers for electric lighting is falling off. From a peak of nearly 2 million a few years ago, it gradually slumped until last year it was about 100,000. The normal growth of the country forecasts only 500,000.

Obviously, if utilities can sell where they need business, simply by making the effort, they can sell in the wealthier industrial centers where heretofore little effort has been made. This is now to be done. Electric refrigerator sales organizations are being used.

"Hotpoint," the General Electric product which George A. Hughes, "father of the electric range" (born 1910) makes in Chicago and which has been accounting for a large share of the range business, has cut its force of salesmen from some 60 to a half dozen or more. Instead 60 distributors have been added, firms that have made a real success as distributors of General Electric refrigerators. Through them, thousands of dealers are available. Retail prices are being raised around 5%, to put distribution on an economic, self-sustaining basis. The average price for a range, including installation, will be around $200.

Some New Entrants

Other electric refrigerator sales organizations are going into the electric range business, too. Kelvinator has taken on Electrochef, brought into the market under the protection of Alex Dow, head of Detroit Edison. Report has it that General Motors will have one for the Frigidaire sales organization.

Coordination of refrigerator and range selling is a step toward selling of a complete electric kitchen. Carl Snyder, president of the Walker Dishwasher Corp., General Electric subsidiary, heads the "General Electric Kitchen Institute." Model "new era" kitchens are rapidly springing up in the display rooms of dealers and utilities. The idea has already been sold important builders.

NEW FORD ABROAD—*Streamlines, sloping V-radiator, on the new Ford midget for the European trade, reveal what to expect in the new 8. The British Ford compares favorably with competitors at £120*

Ford Returns to the Market To Spend $300 Millions in a Year

LITTLE beyond pictures and prices remains to be learned about the new Ford now in active production at Dearborn. Mr. Ford, himself, the only authoritative source for such information, has revealed most of the details. Both 4 and 8 will be longer, wider, and lower than the Model A, and will have free wheeling. The 8 will have a gas consumption little more than the 4 because air friction has been minimized by streamlining, sloping windshield, V-shaped radiator, and other features of the well bred 1932 car.

The gasoline tank has been moved to the rear; the ignition key to the steering post; larger wheels, tires, and hub caps are standard. The 8 has a maximum speed of 80 m.p.h.; has been designed to cruise at 65 to 70 m.p.h.

No new sales terms will be offered; prices will be low enough to reach the "purses of the masses" even in a depression year. The 8 will have approximately the same price range as the present 4 ($448 to $668, delivered Detroit). The new 4 will run about $100 less.

Nearly 84,000 advance orders have been received at the factory, 3 out of 4 for the new 8. All parts for the 8 have been finally approved, production will start within a few days. Parts for the new 4 have been pouring into assembly plants for weeks; materials for 50,000 cars are now available and assembly has started. Dearborn is employing 70,000, Mr. Ford hopes to increase this to 100,000 by June.

He expects to spend $300 millions this year in Michigan alone for labor and materials; has already spent more than $6 millions in retooling for the V-8.

Some of his larger purchases for the year will be $140 millions for bodies from outside makers; $86 millions for freight charges; $47 millions for steel; $48 millions for upholstery cloth and body trimming materials; $20 millions for tires; $10 millions for glass.

Chevrolet shows no lag in response to Ford developments. February output was 35,000, March schedules are still higher. The presence of an unusually large number of tool designers at the

Chevrolet plant raises questions about Chevrolet action after the new Fords are announced. Plymouth expected to build 10,000 of its new models before the first of April but has curtailed this schedule somewhat pending further Ford action.

Ford Parts Orders Bring Local Employment Pickup

WITH the release of orders for parts for the new Fords, business in Toledo has started up. More than 50 plants have Ford contracts and quantity shipments to Dearborn and assembly plants have now been substituted for the small shipments made during the last few weeks. Some of the larger plants supplying Ford are reported to have received releases on 15,000 units to be delivered within the next 3 weeks.

An Ohio survey indicates that real improvement in employment is taking place with the reopening and extension of many plant activities. In Mansfield, 1,000 were rehired last week when Empire Corp., Westinghouse, and several other employers made large increases in personnel. The American Shipbuilding Co. at Lorain will add to its force this month. Cleveland casting and forging shops have increased working forces to handle large automobile orders recently released.

More than 600 workers have been recalled at 4 plants of the Homer Laughlin China Co., Newell, W. Va. The Robinson Clay Products Co., idle since last June, has resumed operations with 450 workers.

In Lowell, Mass., 5 shoe factories report a 100% increase in payrolls within recent weeks. International Shoe Co. expects to add new workers for an indefinite period at its Manchester and Nashua plants. The Devon mill of the Goodyear Tire & Rubber Co., at New Bedford, Mass., is starting on a full schedule of 3 shifts daily, 5 days a week. The Wickwire Spencer plant in Worcester, Mass., has received an order for 20 carloads from a customer formerly buying in single car lots.

Candy Makers Declare War On Returned Goods Evil

THE recently organized Candy Institute of America (*BW—Dec23'31*) has announced as its first step toward improving trade practices in the industry a new policy on returned goods.

Up to now jobbers and retailers have found it so easy to obtain full credit that instead of returning only stale or spoiled goods they have included overstocks or slow-moving lines. Salesmen have contributed to the growth of the evil by "loading up" their customers on the promise of full credit for returns. Some manufacturers have found themselves tolerating what has amounted to a consignment arrangement, with their customers simply displaying goods and paying only for those actually sold.

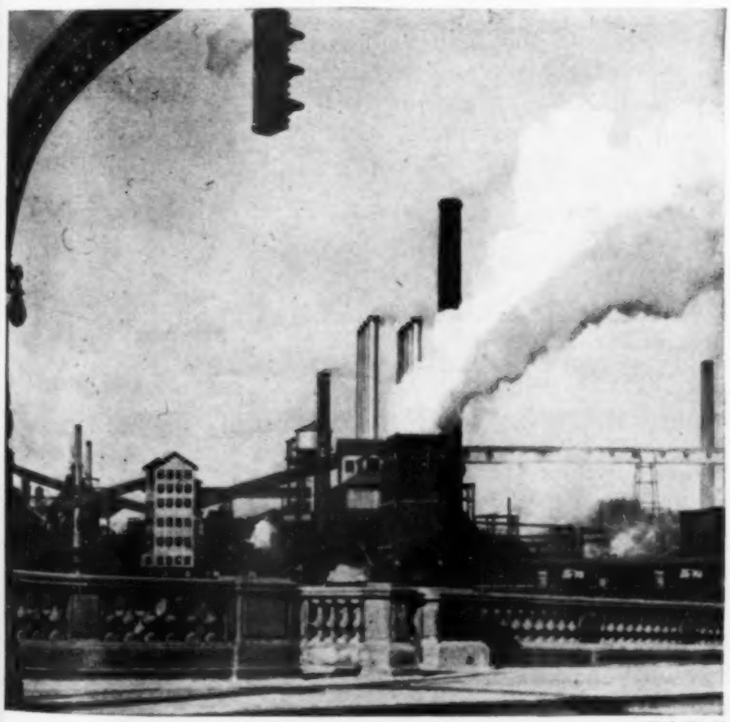
Over the Danger Line

The cost necessarily has been included in the final consumer price, but its spread has carried the percentage of returned goods to total sales to dangerous proportions, while those manufacturers who have fought the practice single-handedly have found themselves at a competitive disadvantage.

The new policy adopted by the Package Goods Group of the Institute relieves the manufacturer of no responsibility for defective goods, but is expected drastically to reduce the return evil, force salesmen to study their customers needs more thoroughly, cause retailers to buy carefully for quick turnover.

It provides that goods submitted for credit by jobber or retailer must reach the manufacturer prepaid within a reasonable time after original shipment and, if accepted, will be credited at only 50% of original invoice price. Since modern production and packaging methods enable manufacturers to be practically 100% certain that goods leaving their factory are in prime condition, jobbers and retailers are expected hereafter to find little occasion to return goods for credit.

Seventy-odd nationally known manufacturers are now members of the Institute.



Wide World

RIVER ROUGE, READY TO ROLL—*Parts are ok'd, conveyors greased, men hired; production begins soon in this greatest factory in the world. Behind the new Fords are scheduled expenditures running to $300 millions in Michigan alone, many more millions for outside suppliers*

Patent Pool Promotes Hosiery Stabilization

A PROMISING development for better stabilization in the women's hosiery industry—which certainly needs it—has gotten under way in Philadelphia recently. Under the direction of W. R. Smith, of the law firm of Lucke & Smith, and at the instigation of Apex Hosiery Co., a group of hosiery manufacturers have organized a patent pool to cover commercial production of a new type of non-run hosiery.

The basic patent is one awarded to Nathan Schwartz, Newark, in 1923, since when it has lain dormant. The group has other patents necessary to

give it control of economical manufacture of non-run hosiery.

A complete patent monopoly is contemplated as the first step toward protecting mills licensed by the pool.

Limits Sales to Buyers Who Can Make a Profit

ONLY concerns which can employ them with profit will be permitted to purchase the new patented seamless knitting machines announced by Fidelity Machine Co. of Philadelphia.

H. W. Anderson, president of the company, points out that the purchase of new equipment should provide 2 sources of profit: make production savings; produce new styles or lines which can be sold at higher mark-ups than staples. But, he adds, many textile concerns miss this second advantage because less intelligent competitors buy similar new machines and, without knowledge of costs or merchandising values, sell style numbers at staple goods prices.

To protect the interests of Fidelity customers, distribution of its newly developed rib machines will be limited to manufacturers of infants' stockings. This decision followed a study of the distribution possibilities of the merchandise which can be made by the new machine. This indicated that the capacity of the market to absorb products of the machine requires limitation of their sale for at least 3 years if purchasers are to operate them at a profit.

Individual Textile Successes Add Up to Better Outlook

THE textile industry having cleaned house, faced the necessity for stabilization (*BW—Mar2'32*), seems headed for better times. Reports to *Textile World* of individual company problems successfully solved with new policies, new products, better selling, confirm this impression of improvement.

The Adams-Millis Corp. keeps plant and equipment in running condition, but manufactures only against actual orders, thus keeps down investment in inventory. Despite rapid and drastic declines in hosiery prices the company has added new lines, increased its profit ratio, kept 1931 sales within 10%, earnings within 2½%, of 1930 levels.

Made Style Studies

Chatham Mfg. Co. made extensive style and consumer studies during 1931, pioneered a new line of reversible solid color blankets, increased appropriations for advertising and sales promotion, established a new high for unit sales.

Ajax Hosiery Co. eliminated highly competitive stock items, developed a new lace-top hose, spent $150,000 to equip for its manufacture, trimmed its customer list to large first-class accounts, synchronized production and distribution, paid an *extra* 3% in 1931.

Vassar Swiss Underwear Co. similarly took the bulk of its product out of the competitive field, developed a new product and the machinery to make it, shows both 1931 sales and profit higher than 1930.

Toledo Dye Works revamped production procedure, scorns profitless selling, has increased profits successively during the last 3 years.

Gotham Silk Hosiery Co. increased efficiency and flexibility in every department, improved and intensified sales methods, changed a 1930 deficit of $558,979 into a '31 net of $65,000.

Hamilton Woolen Co. scrapped 75% of its old looms, combined 4 scattered units into one, decided to concentrate on a few profitable lines, made a profit of $340,834 on 300 looms in 1931, as compared with a loss of $300,694 on 1,200 looms in 1927.

Van Raalte Co. made studies of style trends, developed a new product, popularized it through advertising and sales promotion until it now accounts for 49% of all sales, paid in 1931 the first dividend since 1927.

Sidney Blumenthal & Co. decided to emphasize quality instead of price, raised prices on velvets 17¢ per yard in the declining market of July, 1931, for comparative periods shows a 1931 profit increase of over 70%.

Hood Redesigns Line To Prevent Imitation

TIRED of seeing its footwear business cut into by the products of design pirates, of watching large retailers import cheap copies of its best sellers, Hood Rubber Co., subsidiary of B. F. Goodrich & Co., has been developing new patented manufacturing processes intended to give it a line that cannot be duplicated by any other method. This has meant redesigning its major items at considerable trouble and expense. The company hopes that it also means a control over products, prices, marketing practices and the dealer situation that will be hard to break.

The first item re-designed was a heavy-selling rubber boot, previously "built up" by a slow process involving 118 separate operations or pieces. Under the new patented process aluminum cores are covered with cotton stockings, which, in turn, are covered with a rubber compound, placed in molds and vulcanized. The result is lighter, stronger, seamless, more durable than the old-style boot but sells for no more.

Canvas shoes were previously made out of numerous pieces of canvas, required several seams, had the leather reinforcing strips attached by sewing, soles glued on. The new process makes "uppers" in one piece. Reinforcing strips, toe-cap and heel support are of special composition rubber locked into the canvas under pressure. Soles are molded to uppers, producing a better-looking shoe of great durability.

Railroads Cut Rates; Trucks Fight Back

RAILROADS have begun to resort to rate-cutting a good deal more freely in their fight with motor truck carriers. Recent instances of this are the petitions filed with the Interstate Commerce Commission by the Wabash, Grand Trunk, Michigan Central, and Pere Marquette for authority to reduce rates on straight and mixed carloads for a period of 6 months, and the Baltimore & Ohio's experimental plan of lowering rates on mixed carloads, as the Lehigh Valley and the Erie have already done.

That not all truck lines will let this challenge pass unanswered is evident from events in Minnesota. When the railroads there announced reductions in freight rates effective Mar. 15, Minnesota common carrier truckers came right back with a petition that they be allowed to reduce rates to the same level.

The new rail rates, which the Minnesota truck lines want to meet, allow the shipper to mix different classifications. A minimum of 12,000 lbs. will be carried at 70% of the first-class rate, or at third-class charges; 25,000 lbs. at 55%, or fourth-class; 40,000 lbs. at 42%, or a special rate.

Metropolitan

NEWEST COASTWISE LINER—*The "Acadia," second of 3 new 10,000 ton ships for the Eastern Steamship Lines, on her way to be fitted out after the launching at Newport News. She will accommodate 756 passengers, goes on the New York–to–St. Johns, New Brunswick run*

Savings Banks Work Towards a Central Bank

MUTUAL savings banks are moving toward closer cooperation for their own protection. They have always worked together closely, but they have had no central institution to render aid when needed. This week Massachusetts has authorized the establishment of a central savings bank, membership in which is to be obligatory. The institution will be somewhat comparable to the Federal Reserve system for commercial banks.

In New York many of the mutual bankers favor a similar course. They called for such a step in a resolution passed by their state convention last week, but some opposition has developed, and the proposal does not seem likely to reach the legislature during the present session. The New York proposal envisions an institution in which membership would be optional —a kind of National Credit Corporation.

For many years some savings bankers have favored Federal Reserve membership for the mutual banks operating in 17 states. However, the present reserve requirements are generally regarded as too high. Though some consideration has been given to asking Congress to provide a special membership for the savings banks nothing has been done. The creation of a central institution in each state is the alternative to national centralization.

There Are 2 Schools On First-Quarter Earnings

HAVING digested the unfavorable reports of earnings for 1931, business men and investors are turning their attention to the reports covering the first quarter of 1932, which will be appearing within a few weeks. The 1931 figures in the aggregate checked fairly well with the initial compilations (*BW—Feb10 '32*). Standard Statistics computations show a decline of 46.9% in the income of 1,014 companies from 1930. Seventy railroads suffered most, lost 78.2%. Industrials were next, 843 showing a drop of 53.8%. Only an 8.4% decline was revealed for 101 utilities.

If current business activity is a guide, first-quarter reports are likely to be little, if any, better. The *Business Week* index has consistently stood a little further below the 1931 level than that dropped below 1930—and in 1931 first-quarter earnings slipped 37% under 1930. While there are still about 2 weeks of the quarter to go, that is not enough to alter the general course indicated by the showing to date.

But some observers believe that the earnings reports which will appear after the end of March may be surprisingly good in view of the level of business activity. They hold that business budgets have been cut so far that many concerns can subsist fairly well on this level. The skeptics point to fixed charges, foreign exchange difficulties, and the absence of a spring pickup.

These fears are reflected in the securities markets. The majority of close observers there are convinced that considerable declines will be shown by the earnings statements, so they feel that securities, especially common stocks, are not in a good position.

The Figures Show Need Of New Bankruptcy Act

THE long drive against our aged and decrepit Bankruptcy Act culminated this week when President Hoover recommended to Congress a curative bill prepared by the Attorney-General. Need for remedy was emphasized by late figures showing that in 10 years number of cases concluded increased 4-fold (total 60,000 in 1931) while liabilities jumped 6-fold (total $1 billion in 1931). It wasn't the depression; increases held in boom years.

Investigation started by the New York scandals of 1929 proved the old act "unworkable," castigated it as a dumping ground of commercial wreckage on which scavengers fattened, summed it up as a sanctuary of cancellation for debtors "regardless of how they may have wasted their property."

The bill embodies points made by the Attorney-General in his preliminary report (*BW—Oct28'31*). Proposed revisions cut at the roots of trouble, seek to prevent waste of assets by exploitation, guard against careless discharge of creditors who can later make payment, allow honest debtors to clear their skirts without the official stigma of bankruptcy, broaden the discretion of the courts, provide better compensation to attract higher types of liquidating officials, cut at red tape all down the line.

Copper Now "Aged" In a Few Hours

THE permanent green color which copper and its alloys acquire after years of weathering will now be accomplished

within a few days, even hours, as a result of a new invention reported by the Copper & Brass Research Association.

Laboratory men had long tried to reproduce this natural patina. They were successful in getting a color that matched the natural green of copper, but they could not make it lasting.

It has now been discovered that they had been working on the wrong theory, that natural patina is not basic carbonate, as formerly thought, but principally basic sulphate of copper. This has led to the development of the new process.

The invention will be welcomed in the architectural and art fields.

What Congress Did

The Senate:

Rescinded order to Tariff Commission to investigate cost of producing casein.

Passed Norris bill limiting power of federal courts to issue injunctions in labor disputes.

The House:

Passed emergency road bill authorizing appropriation of $132,500,000 to be loaned to states.

Ready to Carry 1st Class Mail, Buses Will Balk at Parcel Post

MOTOR BUS operators again face the prospect of being compelled by law to carry mail. Passage of such legislation has long been advocated by the Post Office Department. Main reasons are the desire to get additional postal facilities from the rapid expansion of bus service, to offset any curtailment in train schedules caused by declining railway passenger traffic.

Motor bus operators probably will raise little opposition if the proposed legislation is confined to first-class mail matter. They will resist any attempt to thrust parcel post business on them. They are also expected to demand compensation fixed on a tonnage basis.

There are already a few hundred bus operators who carry mail for the government. Many carriers find this to be an attractive sideline, though there are some drawbacks; schedules fixed by the Post Office Department have to be followed. However, the total volume of mail carried by buses is comparatively small. Earnings from this service probably do not amount to more than $1 million a year. In a number of instances, the Postmaster-General complains, the operators have refused to carry any mail, or have been willing to accept only a limited quantity of first-class matter.

He now recommends that he should be empowered to require all common carriers to transport such mail matter as may be offered, in the manner and under the conditions prescribed by himself—and under a penalty of $100 fine for each day of refusal. Should there be any difficulty in agreeing on the compensation, he suggests that the Interstate Commerce Commission be authorized to fix fair and reasonable rates.

The bill introduced in Congress by Representative Kelly of Pennsylvania is along the same lines but omits the Postmaster-General's recommendation that compensation be determined by contract or agreement between the government and the carrier. Rate-basing and making is left to I.C.C.

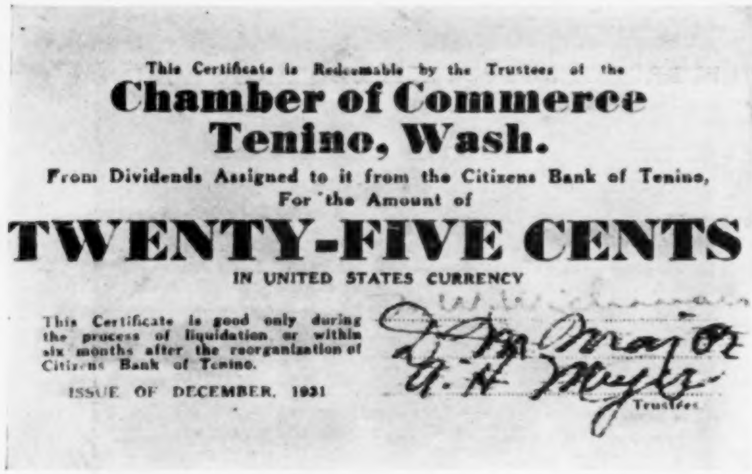
The proposal that all common carrier motor vehicles be required to carry mail, raises the question of whether the federal government can exercise authority over intrastate buses. Washington seems to be of the opinion that, since the mails are a federal function, the federal government has complete jurisdiction over everything connected with their transportation, regardless of whether it is intrastate or interstate. The question of the Postmaster-General's authority over intrastate railways that carry mail has never been raised in the courts.

The Business Week

BUS MAIL—*Embarrassed by increasing abandonment of local railroad service, the Post Office considers the buses. Many operators already carry mail; it brings in additional revenue totalling about $1 million a year—which helps operating expenses. Others would carry first class mail, balk at parcel post. The bill now in Congress, supported by the Postmaster-General, would force all operators to transport all classes*

Railroads Tighten Their Belts Another Notch

STEADILY dwindling revenues are causing railroads to seek further economies in operation. The Union Pacific and the Chicago, Rock Island & Pacific see large savings in accounting expenses if their subsidiaries, now operated separately, are merged or absorbed completely into the parent systems. They have asked the Interstate Commerce Commission this week for authority to do this. Other railroads are curtailing their train schedules. A number of reductions in passenger train service have just gone into effect on the Great Northern. The New York Central is reported to have cut its annual passenger train operations by 11 million passenger-train miles during the past 2 years.


This Certificate is Redeemable by the Trustees of the

Chamber of Commerce
Tenino, Wash.

From Dividends Assigned to it from the Citizens Bank of Tenino, For the Amount of

TWENTY-FIVE CENTS

IN UNITED STATES CURRENCY

This Certificate is good only during the process of liquidation or within six months after the reorganization of Citizens Bank of Tenino.

ISSUE OF DECEMBER, 1931

Trustees

Acme

WOODEN MONEY—*Scrip issued by the Chamber of Commerce, after the bank closed in this lumber town, is fittingly printed on spruce veneer*

Unwilling to Give Relief, Congress May Offer to Lend It

New proposals would cost nothing—expect to help states that can't borrow

THE fight for federal unemployment relief continues to disturb Congress. Monday the Senate Manufactures Committee favorably reported the Wagner bill which provides $750 millions: $375 millions for loans to states for direct relief; $375 millions for emergency highway construction. Loans to states would be repaid by deductions from regular highway grants made in 1937 and thereafter. The loan part of the bill is similar to the recently defeated LaFollette-Costigan bill, except that it loans the money to states instead of giving it outright. In view of the close vote on the LaFollette bill, with much opposition centered on the gift provision, there seems to be good chance for the Wagner bill to pass.

Mostly Loans

The House has before it a similar measure calling for $700 millions for relief. Of this, $200 millions would be assigned to public works projects for which allocations have been made but no estimates submitted to Congress, and would supplement appropriations already passed. A sum of $300 millions would go into emergency loans made at the request of state governors and secured by collateral, preferably state bonds. Another $200 millions would be set aside for direct grants to states which certify that the amount requested is necessary for relief work, and cannot be obtained elsewhere from public or private sources.

Last week the House rushed through a bill authorizing further loans of $132½ millions for highway construction; the Senate Postoffice Committee is considering it this week. The bill provides $120 millions for states as supplemental allotments on federal aid programs and an additional $12½ millions for work in national forests, parks, and reservations.

All these bills not only face organized opposition in both houses, but there is a strong likelihood of a Presidential veto if any of them should pass. The recently passed House bill for emergency road construction appears to be the most innocuous of all but it called forth vehement criticism from Secretary of Agriculture Hyde who said it had been "railroaded" through the House; that it would give work to not more than 35,000 men directly, not more than 50,000 altogether; that the government could not afford the expenditure anyway.

House leaders reply to the "railroading" charge that the bill follows recommendations made by the President a year ago and adopted by Congress when he urged enactment of an $80-million emergency road fund to help unemployment.

$9 Out of $10 to Labor

In regard to unemployment relief possibilities of the bill a recent statement of Thomas H. MacDonald, chief of U. S. Bureau of Public Roads, is cited. Mr. MacDonald, who may be assumed to be more familiar with road building conditions than the Secretary of Agriculture, states that $900 of every $1,000 spent for concrete roads goes ultimately to labor; that on roads of lower grade the labor share of costs is at least as great. On this basis the $132 millions would provide about 25 million man-days of labor at 50¢ an hour and would give Secretary Hyde's 35,000 employees about 700 days work apiece —or keep 78,500 busy for a year of 6-day weeks.

New York Furnishes A Key to Relief Needs

COMMENT in Washington last week laid the defeat of the LaFollette-Costigan federal relief bill chiefly to the mild weather and the absence of front-page stories of suffering among the unemployed (*BW—Mar2'32*). Supporters of federal relief who are looking for more persuasive evidence of its need before they make the next move are studying the implications of a report on 6,300 New York families investigated by 490 agents of the city's Emergency Work and Relief Bureau.

Food was lacking in 5,100 or 81% of the homes visited. Most families were in debt from $50 to $500; the average was $224. About 74% had borrowed; some families were receiving their sole support from irregular loans from friends and relatives. More than 5,500 families—88%—were in arrears with rent; virtually all with mortgages were threatened with foreclosure. Nearly 4,000 cases were behind on life insurance premium payments; half those with policies had borrowed on or surrendered them.

Lacked Necessities

Lack of winter clothing was disclosed in 2,400 families. Fuel was lacking in 25% of the homes. In more than 1,500 homes furniture had been pawned to buy food. About half the families were trying to subsist on food tickets obtained irregularly from other emergency relief offices. Workers had been jobless from 4 months to 2 years with an average of 8 months of idleness.

There is no question of need for fed-

eral relief for these families. New York state has an income tax and is well able to draft sufficient funds.

But the fact that such conditions can exist in New York raises the question of what is happening in communities with a fraction of New York's resources, where organized relief is comparatively unknown, located in states where the burden of taxation still rests on property owners who include the very persons in need of relief.

Town's Scrip Money Has Merchants Dazed

LOCAL unemployment relief plans show much ingenuity—and some disingenuousness. Anaheim, one of the oldest towns in Southern California, has one of the most original. Its jobless, put to work on public improvements, are paid in scrip. Local merchants have agreed to accept the scrip in payment for goods. Under the plan, each merchant can pass it on to other merchants in the course of regular business, providing he affixes to each "dollar" unit a 4¢ stamp purchased from unemployment relief headquarters. When the scrip has 25 such stamps affixed to it it is redeemable at face value at relief headquarters.

While this plan has been popular with relief experts and the unemployed, Anaheim merchants now are beginning to look for some higher mathematics that will convince them that they are not carrying the entire burden of paying wages to the unemployed. Plain arithmetic seems to show that while they get $1 for each "dollar" in scrip that has 25 4¢ stamps affixed to it, this provides nothing in payment for the goods purchased by the scrip. The plan is unlikely to spread.

Adopt Rochester Plan

Many cities are adopting Rochester's "sign the pledge" program, whereby residents pledge themselves to provide specified amounts of odd-job work for the unemployed or to make retail purchases that had been postponed through fear of the future. The Rochester campaign started off with a goal of $2 millions; nearly $8 millions were pledged.

In Green Bay, Wis., a similar campaign is getting housewives in each block to combine their odd-job requirements to provide $15 worth a week, which will support an unemployed man.

New York is organizing 100,000 "Block Aiders" who will make a house-to-house canvass of 10,000 city blocks to get pledges of relief contributions.

Detroit Joins Demand For Lower Utility Rates

NEW fuel has been added to the fire under the public utility rate question by the addition of the Detroit City government to the ranks of those demanding lower rates. This follows San Diego's success in forcing the San Diego Consolidated Gas and Electric to establish lower charges. Detroit has presented the question to the Michigan Bell Telephone Co., the Detroit Edison and the Detroit Gas Co.

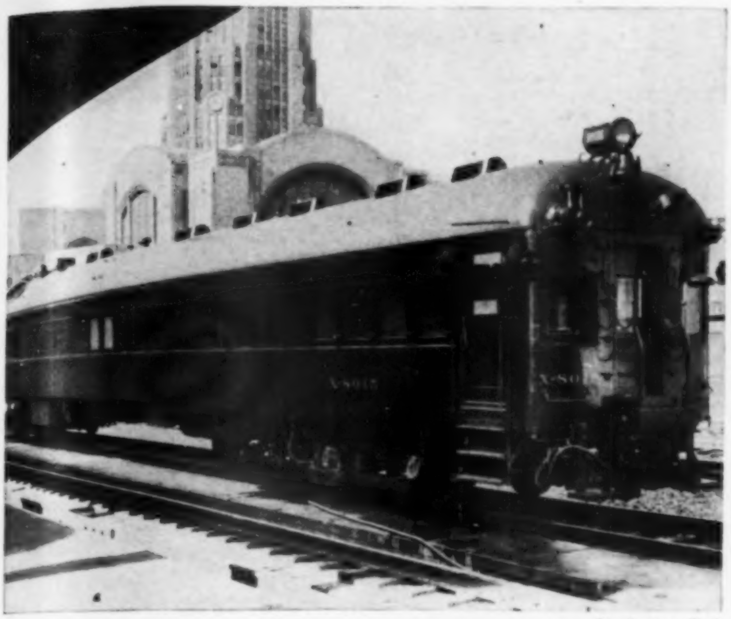
Detroit's argument follows the standard lines: Lower prices on materials and labor and therefore, lower operating expenses should mean lower rates. The powerful argument of the utilities that a huge part of their costs is made up of fixed charges, impervious to current fluctuations, is being ignored.

The rate question has not been a serious one with the utilities nationally so far, but there have been numerous local rebellions. Heavy fixed charges and complex financial structure make any trend in this direction of extreme importance to the industry (*BW—Feb 24'32*).

Milk Producers Will Use Their Own Surplus

EMBATTLED milk producers of the Detroit area have long been dissatisfied with the "base and surplus" plan under which the distributors purchase milk from them. This plan calls for payment of a much higher price for milk to be sold as fluid milk than for milk (known as "surplus milk") to be manufactured into butter, cheese, sweet cream, milk powder, condensed milk, etc. Last year the price received by producers declined so sharply that they threatened to refuse to send their milk to market. Most of the manufacturing plants in the Detroit area are operated by the nationally owned companies.

The Michigan Milk Producers' Association has now decided on measures to combat the surplus evil. Its 15,000 members, more than 10,000 of whom operate farms and dairy herds in the Detroit area, have voted to (1) allocate to the fluid milk trade enough of the product to meet consumers' needs, (2) pool the surplus milk and manufacture it into milk products in the association's own plants, (3) arrange to have producers closest to the fluid milk market supply it, while those farthest removed supply the manufacturing plants, with payment on a pro rata basis.



The Business Week

RAIL CHECKER—*The New York Central's new self-contained detector car for track inspection. The Sperry detector apparatus charges the rail, moves a paper tape across an observation table, records the condition of the rails, reveals flaws in the steel, and marks them with a spray of paint*

Anti-trust Law Relief Likely To Stop at Legalizing Codes

HEADS: The business man violates the law. Tails: He doesn't.

On some such toss-up most anti-trust matters are settled. Complaints of scores of business men that they should not be made to suffer because lawyers disagree seem to have convinced a subcommittee of the Senate Judiciary Committee that something should be done in a legislative way to offer business men guidance in their dilemma.

But the committee is not sure what should be done. It is considering the Nye bill. Fundamentally, this bill would legalize agreements made by groups of business men with approval of the Federal Trade Commission for the purpose of eliminating unfair and uneconomic trade practices and would provide immunity from prosecution under anti-trust laws for all acts done in accordance with such agreements so long as they continued to have commission approval.

This is what business wants. Its more respectable members have no desire to beat the anti-trust laws but they think it should be possible for them to get together, legally, to stabilize their industry in the interests of themselves and the general public. They want some guarantee that when they undertake such a program, with government cooperation, they will not be liable for criminal prosecution except after due notice that their acts are in violation of the laws.

But in getting this far the Nye bill goes on to other matters which are desired by some business men but which the subcommittee believes could never be enacted into law. Price discrimination is prohibited, as is selling at less than cost except in special circumstances. Neither of these items is expected to appear in the bill which the subcommittee will prepare as a result of its extensive hearings. Neither will it accept the proposal that a code adopted by a majority of the members of an industry will be binding upon all, although many business men, pointing to lack of 100% cooperation as the cause of failure of most attempts at voluntary stabilization, argue that this clause is essential if the trade practice method is to become really effective.

Present indications are that the subcommittee is convinced that business needs some relief from the working of anti-trust statutes as they are now constituted. In providing this relief it is unlikely to go much farther than to legalize commission-sponsored trade practice codes and to provide for revocation of codes and subsequent court hearings free from anti-trust law penalty liabilities whenever the Department of Justice is convinced that the code is in violation of the law. Such a law would be satisfactory to most business men, stand the best chance of getting by Congress.

"Whales Is Whales," But "Foreigners Is Foreigners"

A WHALING ship, Norwegian registry, chartered by an American company, Procter & Gamble, sailed into New York harbor with a cargo of whale oil produced in the Ross Sea.

Customs officials promptly levied duty as for an import from Norway. Procter & Gamble objected. Frederic R. Coudert, their attorney, argued that the Antarctic Ocean was certainly not Norway; that courts have decided, before this, that ships are not to be considered a part of the country in which they are registered.

Charles D. Lawrence, assistant attorney-general, conceded this, but contended that the law should be interpreted in the light of its intent. Incidentally, Ogden Mills, when Under Secretary of the Treasury, warned the tariff-makers of such a difficulty.

The matter now rests in the mechanism of the Court of Customs Appeals, which will grind out a decision in the next several weeks.

The decision seems obvious; when in doubt, the court usually rules for revenue. More important, a reversal would open American fish markets to foreign flag boats.

Correction: Unpaid Taxes Not Yet Delinquent

IN A recent story on state and municipal financial condition (*BW—Feb24'32*) there was presented a list of cities in which 1931 tax payments were reported to be delinquent in varying degrees. Percentages cited are taxes unpaid on Dec. 31, 1931. In Waco, Milwaukee and several other cities listed tax payments do not become delinquent until grace periods of various lengths have elapsed. Thus the fact that a considerable proportion of taxes were unpaid at the end of the year is no criterion of how many will become delinquent.

Not Only Drop, But Uneven Drop Of Prices Deepens Depression

Raw materials will buy only 80% as much as before the war, manufactures 9% more

THE effects on the relation between creditor and debtor groups of a sudden and drastic decline in the commodity price level—from the average of 50% above pre-war which prevailed during the period 1922-1929, to slightly below the pre-war level at the present time—make up only part of the picture of deflation. Debtors of every kind who are called upon to pay fixed amounts of dollars in principal and interest on money borrowed at a higher price level find their current income or their saleable assets diminished as commodity prices fall. They have to sell more of their assets, securities, or property, produce and sell more commodities, work longer and harder, if they can, to get the fixed number of dollars with which to pay debts and fixed charges.

Who Carries the Load

So far as the burden of fixed debts is concerned, the main groups that have suffered in this way are: banks and life insurance companies which have borrowed from depositors and policyholders and loaned the money to other debtors; governments with fixed debt charges which have to be met out of tax revenues reduced by diminished taxpayers' incomes; landlords and real estate owners with mortgage charges to be met out of their tenants' or their own diminished incomes; industrial, business, and railroad corporations with heavy bonded debt and reduced income; farmers who now find that it requires about four times as much farm produce as in 1929 to pay farm debts and three times as much to pay taxes.

Where Stresses Show

These conditions are the main reasons why farm relief has been a subject of continuous agitation for 10 years, why the word "moratorium" occurs so often in connection with farm mortgages and foreign government debts, and why governmental railroad and bank relief measures, tax reduction, and curtailment of public expenditures are the acute questions of the day.

But the economic dislocation arising from collapse of commodity price levels does not end with the difficulties of increased debt burdens. A great part of the payments by individuals and groups to each other consists of items which are only a little less flexible than debts and debt charges. In fact there is an element of debt behind every business transaction in our modern economic system, and it enters into the standard of living of the individual at almost every point. These various relatively inflexible expenditures of individuals and business are usually called costs, and income always decreases faster than costs during a period of falling commodity prices.

Wages a Fixed Charge

The wages of the great mass of the urban working population who now constitute so much larger a part of the population than in earlier periods, have become a kind of fixed charge upon industry as a whole or upon the community, if not on the individual employer.

The cost or the standard of living of the individual no longer consists merely in the charge for food, clothing, fuel, which may decline with commodity price levels after a lag that reflects the fixed charges of producers of these commodities. It includes charges for light and telephone service, railroad and street car fares, doctors', dentists', and lawyers' fees, hospital charges, education, insurance, taxes. Some of these are fixed by contract, some are subject to governmental regulation, some are a continuous overhead charge on the community which must be paid by the individual citizen, some are determined by custom among the profession that provide the service, and can only be given up or postponed when income declines.

Business Is Crippled

Thus, aside from the increase in outright debt burdens, the most widespread and serious effect of a fall in the commodity price level lies in the fact that it cripples all business activity and reduces the volume of business because it tends to diminish current income in comparison with current expenses and thus cuts down the exchange of goods and services. The only way the individual or groups most affected can offset this process is by an increase of efficiency, by producing more goods and services per man-hour of effort; and in some cases, where the demand does not increase with lower prices, as in the case of farm products even this is of no use in maintaining income up to the level of expenses.

The commodity price level is meas-

International News

THAT SALES TAX—*Chairman Crisp (right) of the House ways and means subcommittee which is drafting a tax plan, consults George W. Jones, Canadian sales tax auditor, on Canada's plan, which seems to work*

ured essentially by the prices of basic raw materials which are consumed and traded in the world over. If the prices of all manufactured goods and of the services and fixed financial charges that enter into their production and distribution could all be simultaneously or promptly reduced in proportion to the decline in the prices of raw materials this situation would not arise. That could be done, if at all, only by some all-powerful government dictatorship, as it is being attempted in Germany today.

In most countries operating under a system of free business enterprise such adjustment between the prices of different goods and services, between costs and income is brought about at best only by the long-drawn-out process of loss and redistribution of wealth which we call deflation in which debts are defaulted or written down and producers forced out of business. While this is going on the exchange of goods and services is drastically curtailed.

Maladjusted Buying Power

The greatest contraction of exchange due to collapse of the commodity price level in our modern economic system comes between farmers and other producers of raw materials, and producers of manufactured goods and urban producers of services. This interruption of trade takes place not only in each country but internationally, between countries primarily engaged in producing raw materials and those which are highly industrialized. Thus the greater part of this depression accompanying the fall of commodity prices is a reflection of the falling off of trade between the farm and city in this country due to the diminished purchasing power of farmers for manufactured goods, and the contraction of trade between industrial Europe and the U. S., and the raw material producing countries in the rest of the world.

Some Comparisons

The purchasing power of farm production in terms of all other commodities is today only 75% of what it was before the war or in 1929. American farmers receive about 68% of what they did for their product before the war, and pay 26% more for the things they buy. For all raw materials taken together the purchasing power is only about 80% of pre-war, while a unit of manufactured goods will buy 9% more of all other commodities.

Theoretically these discrepancies between the prices of manufactured goods and raw materials during a general price decline would not be of great im-

portance if it were not for the factor of the increase in debt burdens upon all groups. Normally, lower raw material and food prices arising from a mere increase in production would mean that urban and manufacturing workers would have much more money to spend on other things, and industrial concerns could pay higher wages, so that the loss in purchasing power of farmers and raw material producers would be offset by increased urban consumption of manufactured products and services.

The Story of 1920-21

This is what happened after the post-war commodity price decline in 1920-21. Urban purchasing power was increased not only by lower food and raw material prices but by greatly increased efficiency of output per capita due to rapid mechanization of industry. Agricultural and raw material producing efficiency also increased and helped to offset the diminished purchasing power of these producers due to lower prices. The pre-war relationship of raw material and manufactured prices was not restored before business began to recover in 1922, and it is not strictly necessary that this relationship, or even the pre-depression relationship, of prices be restored this time.

What is necessary for recovery is one of three things, or perhaps some of all three. The tremendous debt burdens, public and private, contracted in the past 10 years must be written down; the commodity price level as a whole, including both raw materials and manufactured goods and urban services, must be restored as nearly as possible to the level at which the mass of debt was contracted; the per capita efficiency of production of all commodities and services, but especially of raw materials, must be increased by at least 50%. The latter is the least likely possibility within any period of time short enough to avoid debt default and all its consequences. Raising of the general commodity price level, therefore, remains the only immediate practical possibility if the process of writing down capital charges is not to continue to its ultimate end, which means the collapse and slow reconstruction of our credit structure.

Behind Hoover Program

This is the underlying, though perhaps unconscious, object of all the measures which the Administration has taken to deal with credit situation. How these measures are likely to work out may be better understood when the underlying causes of the collapse of the commodity price level are examined in a succeeding article.

New York May Not Care But the New Yorker Does

THE Hotel New Yorker rises up and slaps the depression in the face. While other caravansaries bemoan the fall in travel, the New Yorker statement shows that 1931 net operating profits were $1½ millions, which was 16.23% above 1930. Number of guests increased 12.25%, total sales 5.6%.

This enterprise seemed doomed to early death. New York was woefully overbuilt in hotels—the Pennsylvania Station district which the new hostelry invaded had seen a doubling of room capacity in 2 years. Into this situation shouldered the New Yorker with 2,500 rooms, biggest in the city, second in the country to the Stevens in Chicago.

Here were handicaps enough to break the ordinary back but, in addition, all breaks went against it. The building was erected during the peak-cost era of the boom, it opened to the first pained wails of the slump. Credit for bucking these factors is given Ralph Hitz, managing director.

A shrewd job of advertising and salesmanship was the answer. The first year he invested a half million in advertising—a lot of money for any hotel. Now his advertising runs around $300,000 annually. National coverage is backed by newspaper campaigns in larger cities, one at a time.

There is nothing high-hat about the New Yorker—rather it puts its arm about your shoulder the minute you enter. Single rates run from $3.50 up and its greatest appeal is to out-of-town buyers who find it handy to the garment districts. Mr. Hitz developed a beautiful technique to attract and hold his particular type of guest. The roaring metropolis didn't care when Mr. Jones arrived to buy his spring line of goods—but the Hotel New Yorker took every precaution to show that it did.

If Mr. Jones had been there before, the clerk mentioned the room he had occupied, asked if he would care for that or another like it. Bell hops called

him "Mr. Jones," not "sir." Next morning his home town paper was outside the door. In waking him the telephone operator informed him that it was cold and raining so that he could dress accordingly.

The 41-year-old, Vienna-born Mr. Hitz is something of a showman, as witness his engaging midgets for call boys. But it was sound management that put cooling systems in dining rooms so that during the summer people were in line for tables. Club meals and varying scales of prices bid for all classes of diners.

Proof that the management is sure of its formula is found in: (1) acquisition of the adjoining Manhattan Opera House, a shabby monument to the late Oscar Hammerstein, for future expansion; (2) acquisition of the Book-Cadillac in Detroit, as the second link in a new hotel chain.

Philippines Battle Just a Preliminary

WASHINGTON—It appears certain Congress will pass a bill promising the Philippines independence on a day not less than 5 nor more than 19 years hence—probably around 10 years. It appears just as certain that President Hoover will veto this bill, and that friends of independence will not be able to muster the necessary two-thirds majorities to pass the bill over the veto.

The fight on Capitol Hill, therefore, while far from being a sham battle, is mostly preparation for the real fight to come, especially if a Democratic President should be elected. Each side is far more concerned with getting its arguments before the country than it is with changing votes in Congress.

The advocates of independence are not pulling any wires to force Mr. Hoover to change his position. Their very hopelessness indicates they have not even thought of doing this. This is strange, for Mr. Hoover must remember how powerful the domestic sugar people are, and how strongly the doubtful state of Minnesota feels on the subject. So independence advocates may wake up and at least try to change the President.

Mr. Hoover's personal opposition to independence is based solely on the thought that the Filipinos are not ready for independence and will not be for a long time to come. He takes no stock and did not as Secretary of Commerce in the thought that the islands are a valuable trade outpost in the Far East.

Those Who Get the Tourist Trade Know It's Worth Fighting For

Fresh figures from the resort sections show why they are making extra efforts to get it in 1932

THOSE to whom the tourist trade is big business—which means just about everybody in some sections of the country—are going after it in a big way in 1932. During the off-season they have been gathering fresh evidence on just how big it actually is. What they have found out has left them indisposed to take a depression cut lying down.

The New England Council, which has been studying the recreational resources and activities of its 6 component states for 4 years, has developed some important facts, now announces a national advertising campaign.

Property used in New England exclusively for recreational purposes is assessed at over $550 millions, pays $15 millions a year in local taxes. The records of rail travel indicate that 3 million visitors enter the vacation region of New England annually, spend $400 to $500 millions during their stay.

How the Dollar Splits

Studies to determine the split of the vacationist's dollar, made by the American Automobile Association, have shown that 20¢ goes for transportation, 20¢ for hotels or camps, 25¢ to retail stores, 21¢ for food, 8¢ for amusement, and 6¢ for gifts, magazines, candy.

The New England Council's campaign will stress the facts developed in its study. It has the cooperation of independent merchants, chain store organizations, public utility companies, oil stations, railroads, and banks.

Colorado with two national parks—Rocky Mountain and Mesa Verde—within its border considers tourist trade an important economic factor. The Colorado Association has supported extensive studies of tourist trade, developed some interesting facts.

Hotel, $7.17; Camp, $3.45

A report on 1,183 "guest" parties shows these totalled 3,894 persons who, on the average, stayed 2.95 weeks in Colorado, spent $115.46 or $39.11 weekly, $5.58 daily. Tourists staying at hotels spent $7.17 daily, those at roadside auto camps got by for $3.45.

Tabulations covering the entire year 1931 show that Colorado was visited by 1,390,000 persons, who, with prices adjusted to 1931 levels, spent $94,390,000 or $4.58 daily each. While ordinary business was below 1930 levels, automobile traffic from states outside Colorado increased from 312,000 in 1930 to 323,000 in 1931, pushed gasoline consumption by "foreign" cars to nearly 11 million gallons, with the June-September period showing the heaviest increase.

Tabulation of food consumption by Colorado visitors during June, July and August, 1931, covers 120 carloads of flour, 257 of packing house products, over 100 of dairy products, 59 of sugar, 207 of potatoes.

At Spokane, Wash., the summer influx of tourists from western Canadian provinces supplies a substantial portion of annual sales volume for retailers, hotels, concessionaires. The Tourists Bureau of the local Chamber of Commerce fears that the 1932 "season" may be adversely and seriously threatened by the present rate of Canadian exchange.

It is now trying to sell merchants, hotels, camp operators the idea of accepting Canadian money at par, believes that if such a plan is carried out not only the usual, but much extra business will be attracted across the border.

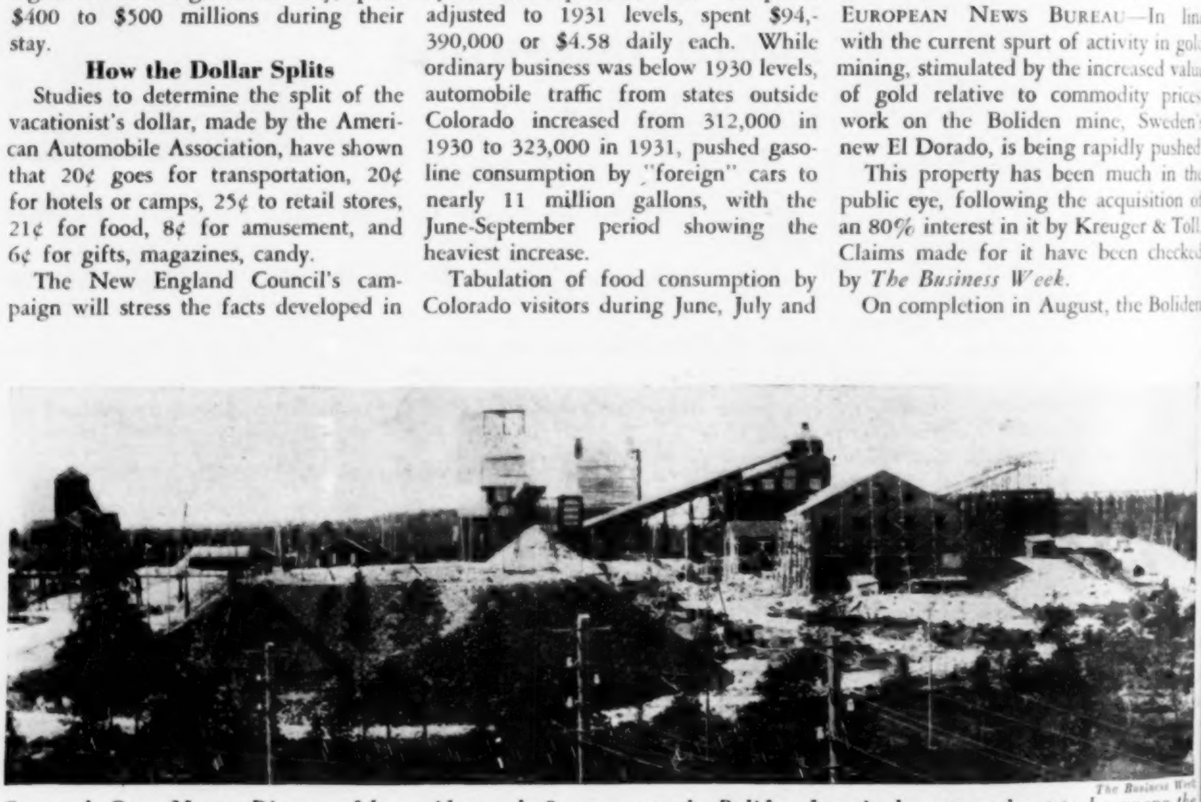
Associated Hotels, Inc., operating a chain of 50 hotels in the Puget Sound and Western Oregon recreational regions, has forestalled possible loss of traffic due to low Canadian exchange by announcing that Canadian money will rate on par with Uncle Sam's on all its properties.

Boliden Gold Estimated At 2% of World Output

EUROPEAN NEWS BUREAU—In line with the current spurt of activity in gold mining, stimulated by the increased value of gold relative to commodity prices, work on the Boliden mine, Sweden's new El Dorado, is being rapidly pushed.

This property has been much in the public eye, following the acquisition of an 80% interest in it by Kreuger & Toll. Claims made for it have been checked by *The Business Week*.

On completion in August, the Boliden



The Business Week

SWEDEN'S GOLD MINE—*Discovered by accident only 8 years ago, the Boliden deposits have turned out to be among the richest in the world. Development began in 1927, will be completed this summer. Included are 2 villages to house 8,000 people. Expected annual production is 360,000 oz. worth about $7 1-2 millions. Kreuger & Toll, great Swedish match manufacturers and international financiers, have recently acquired control of the property*

mine is expected to turn out about 11 metric tons of gold a year, worth over $7 millions, roughly 2% of world production and equal to one-eighth of Canadian production. In 1931 its gold output amounted to 7 metric tons. Other production will include 24 tons of silver, 7,450 tons of copper, and 55,000 tons of arsenic a year. A smelter is under construction at Rönnskär, 40 miles by rail from the mine.

Boliden is in northern Sweden, in a district which until a few years ago was practically virgin territory. Workers earn as much as 20 crowns ($4) a day, considered high pay in that part.

Ore deposits, covering an area of over 100,000 sq.ft., are reported to contain a high gold content, which increases with depth. The average is estimated to be 20 grammes, or 0.6 oz. per ton of ore, which is higher than either of the world's other 2 notably rich deposits, the Ontario mines in Canada yielding on an average 14-16 grammes, and South Africa 8-10 grammes per ton.

Instalment Selling Has Gone to Sea

The Cunard Line—old, respected, British, conservative—invites the traveling public to try a trip to Europe, take a world cruise, or just a holiday jaunt. On a 25% down payment, you can "travel at your convenience, pay at your leisure."

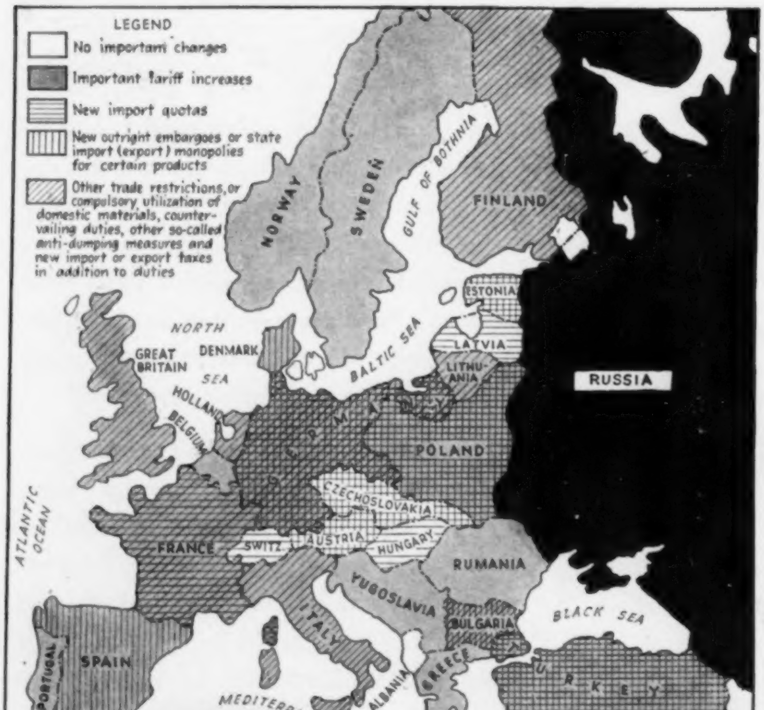
Cunard is the first company to make the offer. Cooperating is the Morris Plan Co. of America, bankers specializing in small personal loans. Before sailing, a down-payment of 25% of the total steamship fare is necessary. Payments on the balance begin 60 days later, continue as long as a year. For a round trip to Europe in the tourist class the cash payment may be as low as $34, the balance to be paid at less than $10 a month.

Loan details are explicit. Interest is 6%. No fees will be charged for the customary investigation which applies to instalment financing in other fields; there will be no surcharges, in most cases no endorsers of notes.

The shipping business is at low ebb. Prices on all lines have been greatly reduced. To the growing list of lines converting second-class accommodations to tourist third to meet the current expanding demand from professional people for inexpensive travel has been added recently the 3 express liners of the French line—*Ile de France, Paris,* and *France.*

The Business Week

Money Walls—*This map shows where currency and foreign exchange restrictions limit the market for American products, as of noon, Mar. 2, 1932, when England changed her mind, removed exchange restrictions in force since Sept. 22, 1931. Changes make frequent checking necessary*



The Business Week

Trade Walls—*Here is what confronts the American exporter who hopes to sell his goods in Europe. Tariffs, quotas—even embargoes—have built a well-nigh insurmountable barrier around every important market*

How Europe's Restrictions Throttle World Trade

Exporters, when they checked January business, were gloomy. America's sales abroad were $33½ millions below December, were nearly $100 millions below January, 1931. The French and the Germans were equally concerned. Even Britain lost some of the recent tariff-engendered hope.

Obviously the depression is the basic cause for the slump. Tangible evidence of recent rapid disintegration of foreign trade, however, is plentiful, can be traced to 2 sets of circumstances: (1) currency and exchange restrictions; (2) new trade restrictions.

The Business Week has summarized in the accompanying charts these restrictions as they have developed in Europe and shut off normal channels of trade.

Six Off Gold

Only 6 countries are admittedly off gold, but other forms of currency restriction are producing a similar effect on trade. Italy and Greece, for example, are under definite government exchange restrictions. Though not aimed directly at imports, they have been deliberately planned to discourage foreign purchases.

To restrict, sometimes even to embargo, imports is one way of keeping foreign trade in balance. In certain countries, outstanding loans demand the payment of interest in foreign exchange. This means the country must maintain an excess of exports to build up the necessary foreign exchange. Germany is the outstanding example (*BW—Jan20'32*).

In other countries, where governments have granted monopolies within the country (notably on tobacco), foreign exchange is refused to pay for imports of that product.

Tariff Increases General

Tariff increases have been almost universal. Britain's 10% levy, effective Mar. 1, affects the largest volume of business, but is not the highest rate.

Quotas, the rationing not only of all imports of a given product but of the share of these imports allowed to various countries, mean the exasperating beginning of an attempt to bargain as well as protect a domestic market. France and Germany have upset the largest volume of trade by employing this method. The French radio quota was so unfair to American exporters that it started a drastic, but still unsuccessful, campaign by Americans in Paris for revision.

WHAT A YEAR!

WHAT A CHANCE!

FOR many months **The Digest** has been planning **how best to reflect** and report **the people's answers to** the burning **questions of 1932.**

Truly **a year of drama, a year of** action! ***What about prohibition— candidates for President—the election — debt reduction — disarmament — economic relief?*** **What do** we want? **What will we get?**

The voice **of *The Digest* will tell** the **will of the nation. "Sounding-**board **of American Opinion" is no** empty title. **Our 20,000,000-vote** poll **on prohibition is now in progress.** A **presidential poll will follow. . . . And as in the past, the** findings **of *The Digest* on every** matter **of major concern will have** the **earnest attention of the civilized world.**

Times **of tension always increase** the interest **and value of *The Digest*.** And *The Digest* **uses every practical** means **to extend its influence—by** daily news **broadcasts, by regular** notices **in newspapers and magazines,** by **cards in street cars and**

airplanes, by millions of mailings to telephone homes, and through its own powerful pages.

***Digest* advertisers, every one, share the results of this increasing energy. And at lower space rates than before. In 1932, *you buy more readers and closer reading, at costs reduced a flat* 25%!**

Notice that these 1932 rates give *The Digest* a new standing as a mass medium, without changing its position as the leading class publication. At a price of less than $2 per page per thousand—regardless of the 1932 drama—*The Digest* must fairly be considered for every advertising schedule, on soap and coffee as well as on ocean travel, on cigars and pencils as well as on fine motor cars—*on virtually anything.*

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• • •

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THE LITERARY DIGEST

SOUNDING-BOARD OF AMERICAN OPINION

Business Abroad—Swift Survey Of the Week's Developments

Inflation policies have revived world financial markets without stirring industrial activity; commodity prices strengthened tardily . . . Britain is sincerely optimistic over sterling strength, improved national finances, tariffs . . . French Bourse is active in the face of slack industrial activity, serious revenue declines . . . German conditions are not good, though the real financial crisis remains in abeyance . . . Though less tense, the situation in the Far East has not improved . . . Rubber, copper, and possibly sugar restriction schemes threaten to fail . . . Incipient financial revival cannot bring sound recovery until other major problems, especially trade barriers, are adjusted.

Europe

European News Bureau—(*Cable*)—Europe's financial optimism is reviving despite the continued business depression; stock market prices are rising in the face of low commodity prices; there is further improvement in England but continued unbroken depression on the Continent—these outstanding developments mark the divergent and sharply contrasting European trends over the last week. Momentarily at least, business conditions in England are distinctly on the ascendency, but contrarily there are no signs of any seasonal revival on the Continent, any modification of multitudinous trade obstructions, or relief for numerous dangerous financial tensions.

Cheaper Money, Rising Prices

That London securities are buoyant is understandable, but the unusual strength of Continental Bourses, especially Paris and Brussels, in the face of the prevailing low business levels and prospects seems paradoxical. The whole trend is attributable to a combination of factors which culminate in the growing belief that an early change in trend is coming. With credit expansion in the United States, general improvement in England, the strength of sterling, and the prospect of more gold coming out of India, it is argued that a period of cheaper money, easier credit, and rising prices is approaching. To this can be added such favorable developments as the survival of the Bruening government in Germany, indications that England and France are approaching a compromise on reparations with a formula whose effect will be to scale down payments, and the 3-month extension of the Reichsbank credit by the B.I.S.

Conversely, the possibility has arisen of a breakdown of international control, or efforts at control, in 3 important commodities—copper, sugar, and rubber—while Germany's ability to meet foreign debts payments remains most questionable, notwithstanding the first slight gain in the exchange reserve in months which may indicate the Reichsbank finally is gaining better control of export proceeds.

London Attracts Capital

On Mar. 1, both the British tariff extension and the new "standstill" agreement became effective. One consequence of the tariff will be an increase in the pressure of goods seeking markets which may tend further to depress world prices. But an immediate consequence, and one supporting cheap money expectations, is the reviving confidence in sterling which has resulted from the conspicuous reversal of the flow of foot-loose capital now evacuating Holland, Switzerland, and France, for London, where it has already resulted in a 1½% reduction in bill rates to 3¼%, and was directly responsible for the further reduction of the bank rate. Germany is practically certain to make a similar move soon.

Cuba's refusal to accept another cut in sugar production, from 3.2 to 2.3 million tons following Java's acceptance of a cut from 2.5 to 1.3 million tons, has thrown international sugar negotiations into suspense and is responsible for the sharp break in prices. Similarly, the break in rubber prices is attributable to indications that the Dutch government has been convinced by colonial officials that enforcement of the control of native production is impossible, wherefore they will abandon restriction negotiations.

Non-Ferrous Group Weak

Copper is down on fears of the breakup of the exporters association (page 14). The unexpected inclusion of copper in the British free list has caused other non-ferrous metal prices to drop sympathetically.

The almost impossible international trade situation resulting from the wide adoption of quotas came to court this week. French radio importers have challenged the legality of recently determined quotas, which accorded to Germany a schedule equal to 70% of last year's total imports, to the United States only 10%. A thorough-going airing is expected, may possibly stem the mad rush to set up quotas without careful consideration of reciprocal trade effects.

France

Paris Bourse still buoyant, despite increasingly unfavorable internal conditions . . . Many new issues well received . . . Dwindling customs returns cut government revenues.

Paris (*Cable*)—Neither foreign nor domestic observers are yet able to reconcile the paradox of the unbroken rise of prices on the Paris Bourse in recent weeks with the steadily continuing deterioration of French industrial activity.

Equally unexplainable is the sudden new issue activity. Already an issue of \$104 millions of Posts and Telegraphs 4½% bonds have been placed, and a number of new rail issues. The market is already anticipating that at least half of the Belgian government's \$60-million issue will be offered in Paris.

There are only the slightest indications of improvement in trade and industry. Wholesale prices reveal a slight rise of 4 points in all products, and of

Keystone

"Buy French"—*A poster in the **campaign against** unemployment **says, "Every time** you buy a pair **of foreign shoes, you** take 4 hours **of work from a** French workman"*

6 points in products particularly French. Some activity has been noted in metal semi-manufactures, and a few textile factories (particularly wool) in the north have increased the number of operatives. These items are insignificant when taken into account with the generally unfavorable position. Unaccompanied by stock exchange activity they would have gone unremarked.

One of the signs of the times, and a measuring stick of business conditions in France, is afforded by the decline of French government revenues. In January, receipts reached the lowest point during the last 10 months. Conditions are now the reverse of those in 1929, which produced such huge revenue surpluses that it was possible to cut taxes in 1930 and still to collect greater than estimated budgetary income.

French Revenue Dwindles

As late as last September, revenues exceeded estimates, but by this time it was apparent that excess revenues were due wholly to higher-than-estimated customs receipts which offset materially lower returns from normal sources of income. The yield from the sales tax, perhaps the best available barometer of business conditions, is now 20% below the return a year ago. Higher customs revenues were due to greatly increased import duties.

Since last November, customs returns have shrunk rapidly. And now the deliberate system of curtailing imports by putting them on a quota basis is showing on the returns to the national treasury from customs receipts. In January, receipts fell $20 millions below the estimate, and $76 millions below receipts in January, 1931. Total deficit for the year closing Mar. 31 is estimated at $200 millions, but these estimates exclude deferred obligations totaling several times this amount.

Great Britain

Business optimism is returning . . . Encouraging factors: removal of foreign exchange restrictions, strength of sterling, increasing investor interest, liquidation of three-fourths of New York credit loan, success of British Industries Fair, inauguration of tariffs . . . Royal Mail ready for reorganization.

LONDON (*Cable*)—Financial and industrial London brightened perceptibly this week due to a number of developments. Sterling has been steady. Following last week's reduction in the bank rate, which encouraged a return of Continental funds to London, the Bank of England contemplated a further reduction intended as much to stem the sudden influx from abroad as to encourage easier money at home.

London Repays New York

Another item which did as much to stir foreign confidence in Britain's rapidly returning financial stability was the notification from the national Treasury to American banks that three-fourths of the $200-million one-year credit, obtained last August in a vain attempt to save the pound, will be paid off in the next few weeks. At the same time foreign exchange restrictions were lifted.

Investment interest, which has lagged in recent weeks, is reviving. The 5% stock offered last week at par by the Croydon Corp. (municipality) was eagerly oversubscribed, and quotations on the British funding loan rose 5 points in 8 days. Returning confidence is bringing a brisk demand for gilt-edged securities.

Industrial interest has focussed on 2 developments. The British Industries Fair is meeting with unusual success. It is held in 2 sections: one in London, and the other in Birmingham. At the London section, which is featuring textile and fashion exhibits, the attendance the first week was double that of last year. At Birmingham, where products from the heavy industries are on display, the number of visitors is 60% above 1931. Heavy orders are attributed in part to the new tariffs, in part to the success of the "Buy British" campaign.

Vessels Jam British Ports

The second, and far more significant development, was the establishing, on Mar. 1, of Britain's 10% general tariff. Britain's harbors presented wild scenes as 400 vessels crowded into major ports to discharge cargoes before they were caught by the new tariffs. Jammed in the Tilbury district below London were 200 vessels, among them the *President Harding* which had raced across the Atlantic with a 3,364-ton general cargo. For several days Lloyds and other insurance brokers did a moderate business in insurance against failure to arrive ahead of the deadline. Not a few vessels, caught in unusually heavy Channel weather, failed to pass customs before midnight Feb. 29.

With the clamping down of tariffs, announcement came out of London of the personnel of the new but all-important Tariff Commission. No Parliament-appointed body is of greater significance to commercial Britons. To

head the commission is Sir George May, 61, expert on insurance and finance, and known throughout England as the chairman of the famous Economy Committee which, when it issued its report last year, precipitated the fall of the Labor Cabinet and the creation of the Coalition to carry out economic reforms in Britain.

Britain's Tariff Commissioners

To assist Sir George, are Sir Sydney Chapman, since 1927 chief economic adviser to the government, and Sir George Allan Powell, barrister and chairman of the Food Council. All 3 men are appointed for a period of 3 years, with the duty of recommending to the government the increases and decreases in import duties which they believe justified by changing conditions. Almost more important to the foreign business man, especially in the early stages of the game, is the power they will have in determining the free list schedules. Two more members may be appointed to the commission later.

It is quite widely rumored in London that Royal Mail officials are about ready to announce broad plans for reconstruction of this giant shipping concern. Advance reports indicate that the Line will be divided into 2 great operating companies, one which will be made up of the South American lines, and the other of the West African lines. At the same time, the moratoria on the various units will probably be extended until 1934. Future of the White Star (*Majestic, Olympic, Homeric*), which now operates in the New York service, is uncertain.

Central News

SOVEREIGNS AT A PREMIUM—*Britain's basic coin (nominally 20 shillings) now brings 27/6d at bullion brokers. Many are taking the profit on their little hoards of gold. Brokers ship the coins abroad for melting, illegal in England. Gold jewelry is also being cashed in pounds sterling*

Germany

Prolongation of the B. I. S. credit, and functioning of the easier, new "standstill" agreement fail to offset reduced industrial activity . . . Political campaign creates new uncertainty . . . Price Commissioner ends task of retail price deflation.

BERLIN (*Cable*)—If the vote of confidence which the Reichstag gave the Bruening government this week is accepted by business as a favorable influence inasmuch as it will give the shrewd Chancellor another breathing spell in which to carry out further constructive policies in Germany, the whirlwind presidential campaign leading up to Mar. 12 elections is a bear factor. Virtually, it is a contest between Hindenburg and Hitler, or, as characterized by Bruening: "Hindenburg or chaos." Since December, when Hitlerism was at its height, there has been a growing conviction among responsible Germans that the elections will result in a Hindenburg success.

There are a number of encouraging factors, however, in the current economic situation.

Foremost is the agreed prolongation by the B.I.S. of the $100-million credit to the Reichsbank, all-important for the financial stability of Germany. Real encouragement comes from the fact that France, admittedly the fly in the ointment, has agreed on a 3 months' extension of this credit on the single condition that Germany amortize 10% of the loan within that period.

Also, on Mar. 1, the new "standstill" agreement became operative. Negotiated during the winter in Berlin by bankers from the 11 countries who have lent German industry vast private, commercial loans, this new agreement makes provision to liquidate gradually and on a non-rigid plan. This removes the danger of jeopardizing German currency stability by removing money from the country too rapidly, or removing it at all at times when German exports are too small to have built up sufficient reserves of foreign exchange. On the other hand, by providing for the systematic liquidation of these short-term credits it increases foreign confidence in Germany's willingness to pay, and encourages Germans to meet the obligations as rapidly as they can.

With these 2 provisions now functioning, Germans anticipate that the Reichsbank rediscount rate will be lowered soon.

Berlin Boerse Still Active

Business, during the past week, has been digesting the bank reorganization plan with no sign of panic and no shifting of deposits. Nor has there been any unfavorable development connected with the reopening, on a very restricted basis, of the Berlin Boerse. Stock trading was brisk the first afternoon, but the government's prohibition on the quotation of prices has prevented the return of normal functioning, and this week trading has dwindled to small proportions.

Retailers in particular have been encouraged by the announcement from the Price Commissioner, Carl Goerdeler, that he considers he has completed his duties. It will be recalled that he was appointed by Chancellor Bruening at

the time of the last emergency decree to enforce the 10% reduction of retail prices. If he has completed his task, deflation, at least official deflation, can be considered at an end.

Unemployment figures for recent weeks seem to indicate that the peak was reached in mid-February, that it was no higher than was foreseen last fall. The government is drawing small hope from this failure to exceed expectations, however, since industrial activity is at such low levels, building is absolutely stagnant, and exports are dwindling, that all hopes for any substantial and rapid seasonal improvement are gone. The machine industry is working at barely 30% of capacity, electro-technical shops at 45% of capacity, general engineering industries at 31% of capacity.

Far East

Business still generally unsettled in Japan and in Shanghai area. . . . Prospects for ending hostilities encourage yen exchange and bond prices. . . . North China business increases. . . . Japan estimates war costs over $3 millions monthly. . . . Far East most important buyer of American cotton.

SPORADIC talk of a truce at Shanghai, and the ultimate ending of hostilities, have reacted favorably on Japanese exchange and on bonds. The lack of any definite agreement, however, has precluded any lasting improvement.

Though Shanghai shops reopened as soon as hostilities moved from the immediate vicinity of the International Settlement, general trade is increasingly curtailed. Six out of the 25 talkie houses are closed and those open are running only on afternoon schedules because of the curfew law. It is estimated that 200,000 factory workers have been thrown out of employment, and another 140,000 handicraft workers are temporarily employed because of fighting in districts in which they worked. Only 8 Chinese, and 1 British, textile mills are still operating. Yarn production is running at a scarce 10% of capacity. The Shanghai Stock Exchange is expected to reopen soon.

Business curtailment is not general. Tientsin, thriving northern port and outlet for the large agricultural and industrial area near Peiping, reported that foreign trade handled at the port last year actually increased 11%. Further north, in Manchuria, trade is reviving gradually but is still restricted by the uncertainty of developments.

The Japanese situation is economically less favorable. Within the week, yen exchange touched a new low despite the fact that rumors of the termination of hostilities were immediately reflected in rising quotations. The drain on an already overstrained budget has called forth strong warnings from bankers in Tokyo and Osaka. Since Japan first opened hostilities in Manchuria last September, the cost of the campaign has run to more than $32 millions, and it is estimated in financial circles that it is costing Japan $3,200,000 a month to continue the present campaign in China. Further appropriations are expected to be submitted to a special session of the Diet in April in the form of a supplementary budget.

Foreign trade in the last 10 days in February continued to show a heavy adverse balance. Imports exceeded $20 millions, more than one-third of which was cotton. Exports ran to only $12½ millions.

Orient Buys Most Cotton

Cotton purchases continue to be heavy. Since Aug. 1, when the present cotton season started, Japan has purchased 1,569,902 bales, which is more than double the total purchased for Japanese account in the same period last year. When Chinese purchases are added (they are nearly 4 times what they were in the same period last year), it is revealed that Oriental takings of cotton this year have lifted the Far East into first place as an American market. In 1929, Far Eastern purchases ranked third; in 1930, second.

Latin America

General weakness of commodities reflected in gloomy reports from Latin America . . . About $60 millions due U. S. are frozen south of the Rio Grande . . . Brazil likely to succeed with coffee restriction program . . . Cuba's sugar policy still undetermined.

BUSINESS in Latin America is consistently dull. What the various restrictions that have been placed on foreign exchange exports have done to Americans is revealed in the study made by the Committee on Inter-American Relations which puts the total of funds which are now due United States firms at $60 millions.

If there are any bright spots at all in the week's developments they are in Argentina where volume of exports is holding up well though money returns are small because of price levels; in Brazil where the coffee destruction program is being pursued with unexpected success; from Cuba where there is still believed to be a 50/50 chance for the success of the Chadbourne scheme despite most unfavorable developments early in the week.

From Havana, it is reported that the sugar grinding season is already in full swing, that 123 mills are grinding, compared with 132 a year ago, that 655,316 long tons of raw sugar had been produced by mid-February, compared with 968,771 a year ago. The official average price for raw sugar in public warehouses in Havana for the first half of February dropped to the dismal low of $.746 per 100 pounds.

Coffee Destruction Effective

Though coffee prices were down early in the week due to heavy European selling, the trend has been comparatively regular of late. Brazil is sufficiently encouraged with the success of the coffee restriction scheme to be planning now to go ahead with a proposal to appropriate $40 millions for the systematic destruction of coffee trees in the Sao Paulo area. Though there is still not sufficient foreign exchange to meet commercial requirements, American exporters are finding it easier to make and transfer dollar collections.

Internally there is some slight improvement in Chilean conditions, but exchange restrictions are as drastic as ever, are preventing any volume of foreign sales. Imports during January amounted to only 25 million pesos, or less than one-quarter of those of January, 1931, while exports were slightly less than one-half of those of the same month last year. Nitrate exports are still small and copper exports, less than half those for last January, reflect the generally bad condition in the industry, the vast surplus stocks despite the drastic curtailment of production.

Mexican Business Curtailed

Mexican business is moving on a strict hand-to-mouth basis. Department stores in Mexico City report retail sales approximately 25% lower than for the same period of 1931. Employment in the textile industry increased slightly in February, counterbalanced a smaller number of workers in the mines and on the railways. The general credit situation is stringent. The automotive market has assumed a decidedly firmer trend, although it shows a material decline as compared with February, 1931. Tire sales were slightly lower than in January. A local Mexican factory is installing machinery to amplify its tire output.

The Figures of the Week And What They Mean

No quickening of general business activity is yet apparent in the records. . . . The steel industry continues to await the Ford signal for full steam ahead. . . . Building contracts afford some cheer, especially since February figures for public works and utilities have run ahead of January awards. . . . Electric power production is declining more sharply than seasonal. . . . Carloadings made another effort to turn upward, but the gain was small. . . . Check payments made a new low for any week on record. . . . A further decline in currency outstanding and in bank failures may indicate that some control over the financial situation has been achieved.

THE slight increase in the operating rate of the steel industry reported by Dow, Jones for the week ending Feb. 29 was too insignificant to affect the adjusted index which remains at 34% of normal. The very slow and gradual increase in steel buying comes largely from a number of miscellaneous product manufacturers. Even at that, the buying is much below the usual seasonal demand. The sole satisfaction must come from the fact that any gain can be reported.

Pig iron production in February gained nearly 6% over the January daily average, and represents the first increase since last April, according to the *Iron Age*. Sixty-five blast furnaces were active on Mar. 1 compared with 61 on Feb. 1.

The hope engendered by Mr. Ford's announcement of his new models and extensive purchasing program still appears to be the chief sustenance of the steel industry. Expectations are for delay in the production schedules of a month or more. No large orders are reported from Ford, though a number of concerns stand ready to operate at short notice. This procrastination is retarding operations of other automotive producers.

Official automobile production figures for January show a decline of slightly less than 1% from the December total when output was stimulated by the coming automobile show. In the United States and Canada some 123,075 vehicles were produced in January against 123,973 units in December and 178,344 in January, 1931. Sales of new passenger cars to consumers in January in 31 states indicate a 4% decline from December and 34% from a year ago.

Steel Rail Orders

The trade papers report some signs of interest in steel requirements on the part of railroads. Tonnage expectations run low. Only a few roads have actually placed any rail orders this year and the sum total of these runs far behind 1930. Only necessary replacement work and repairs will be made until freight shipments increase.

Structural steel awards reached the year's high with 19,200 tons, according to *Iron Age*. But steel interests are not expecting much from this source for the present. Some specifications for tin plate have been made which are reducing producers' stocks. Tin plate schedules have not been increased.

Construction contracts awarded dur-

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*57.7	†59.2	77.9	
PRODUCTION				
Steel Ingot Operation (% of capacity)	26	25	53	79
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$3,813	$3,594	$9,445	$13,666
Bituminous Coal (daily average, 1,000 tons)	*1,105	1,104	1,318	1,771
Electric Power (millions K.W.H.)	1,512	1,545	1,633	1,610
TRADE				
Total Carloadings (daily average, 1,000 cars)	95	94	119	150
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	62	62	78	93
Check Payments (outside N. Y. City, millions)	$2,638	$3,122	$3,801	$4,770
Money in Circulation (daily average, millions)	$5,605	$5,627	$4,596	$4,688
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.55	$.54	$.70	$1.14
Cotton (middling, New York, lb.)	$.071	$.070	$.112	$.161
Iron and Steel (STEEL composite, ton)	$29.53	$29.53	$31.61	$35.14
Copper (electrolytic, f.o.b. refinery, lb.)	$.057	$.060	$.102	$.148
All Commodities (Fisher's Index, 1926=100)	63.7	63.7	75.8	91.3
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,752	$1,790	$911	$1,189
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,606	$19,731	$22,647	$21,553
Commercial Loans, Federal Reserve reporting member banks (millions)	$7,171	$7,217	$8,151	$8,583
Security Loans, Federal Reserve reporting member banks (millions)	$5,438	$5,474	$7,313	$6,960
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$495	$489	$1,790	$3,506
Stock Prices (average 100 stocks, Herald-Tribune)	$92.26	$92.77	$140.69	$153.82
Bond Prices (Dow, Jones, average 40 bonds)	$79.98	$79.57	$96.39	$96.24
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	4.5%
Interest Rates—Prime Commercial Paper (4-6 months)	3¾-4%	3¾-4%	2½%	4.2%
Business Failures (Dun, number)	637	751	659	536

***Preliminary** **†Revised**

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

ing the third week of February failed to maintain the rather favorable showing of the first half of the month. Nevertheless, the value of public works and utilities contracts awarded in the first 17 business days of February are already exceeding the whole month of January. In the Chicago territory, both residential and public works awards are about double the volume awarded in January. Total awards in the 37 states now aggregate $70,564,900, which on a daily average basis, equals a 22% gain over January. Our adjusted index for the period ending Feb. 19 stands at 25% of normal compared with 26% the preceding week.

Non-residential Awards

Non-residential contracts still form the most important part of all awards. February awards to date total $27,832,800, which on a daily basis represents a gain of 23% over January but a 54% decline from a year ago. Public works contracts now aggregate $24,908,000, equal to a 52% increase over the January daily average and a 59% decline from February, 1931. Only the residential awards continue to shrink below the January level. Contracts worth $17,824,100 were let in the first 17 days of February, which represent a 4.7% drop from the daily average of the preceding month and a 70% decline from a year ago.

Coal production was practically unchanged for the week of Feb. 20 but since the usual trend is downward at this period, the adjusted index moved slightly upward to 53% of normal. Anthracite prices were cut from 50¢ to $1.25 a ton wholesale. April ordinarily sees the first offer of coal to retail consumers at special prices, but the mine cut is being passed on now.

Electric power production for the week of Feb. 27 covers the holiday week and shows some effect of extended shutdowns. Output is now 7.4% below a year ago, with a decline during the past 4 weeks of nearly 5% compared with a 2.7% decline during the month of February, 1931. There is no indication in these figures that Mr. Ford has made any pronounced beginning on his reported extensive production schedule. The adjusted index lost another point and stands at 74% of normal.

Miscellaneous and forest product freight were the only 2 groups that failed to score an advance in the week of Feb. 20. The gain in merchandise less-than-carlot was more than offset by the decline in miscellaneous shipments, so that the adjusted index declined one point to 58% of normal. Freight shipped this year is running nearly 21% below a year ago.

Check Payments

Check payments in the 140 cities outside of New York City declined to the lowest total for any week on record since 1919. This severe drop partly reflects holiday influence, but the bulk of the decline must be laid at the door of the low level of business activity. Our adjusted index based on the past 2 weeks declined sharply to 61% of normal.

Currency circulation shows encouraging signs of declining, as do bank closings. Only 8 banks were reported closed during the week of Feb. 25. Adjustments made in our index due to the 2% decline in the cost of living index between December and January have lifted the level of the currency circulation indexes. Our index for the week of Feb. 27 stands at 49% above normal compared with 50% the preceding week.

Commercial Loans Shrink

Commercial loans continue to shrink instead of showing the customary increase resulting from spring trade demands. The adjusted index stands at 13% above normal.

February failures, according to Dun's, set a new high record for the month, though the total number of 2,732 is 21% below the January total.

Commodity prices continue to fluctuate irregularly. Many new lows were set in the past week in sugar, silk, rubber, copper and zinc. Wheat prices sagged until a sharp turn in the stock market kindled a more general enthusiasm. Coffee, cocoa, and hides made gains until the close of February, but have since weakened. Cotton prices have risen fairly steadily, with spot cotton at New York reaching 7.2¢ a pound.

The non-ferrous metal markets were depressed by the ever-recurring threat of a break-down in the negotiations for production curtailment. Efforts to cut output to about 17% of capacity are still being made and the outlook is hopeful.

Trends of the Markets In Money, Stocks, Bonds

Open market operations by the Federal Reserve System, further decline in hoarding, rise in member bank reserves, cessation of gold losses, easier money rates and better exchange trends combined to give a favorable monetary picture this week. . . . Bonds continued their stimulating rise. . . . Even the skeptical stock market found some encouragement.

Credit Expansion Spurred By Open Market Policy

MONETARY developments, both at home and abroad, were distinctly encouraging this week, the first time they have been so for many months. The first widespread effects of Washington's financial anti-depression fight appeared, while abroad evidences of betterment were plain.

The Federal Reserve System swung into the credit expansion drive with considerable vigor by inaugurating an open market policy through the purchase of nearly $20 millions of government securities. While the total of Reserve Bank credit outstanding declined slightly despite this, due to drops in borrowings and bill holdings, the action operating in connection with other factors affecting reserves was sufficient to increase member bank reserve balances.

These other factors were a decline in currency circulation when seasonally there should have been a rise, indicating a further decrease in hoarding; a respite in the loss of gold and a rise in Treasury currency.

The reserve position of the banks vitally affects their lending policy. Since, heretofore, reserves have declined steadily since the opening of the year the present increase is quite favorable. Figures on credit outstanding for all banks for last week revealed another sharp decline, but reports of New York City banks this week showed the decline virtually halted as would be expected from the reserve trend. In fact, the New York City banks increased their loans both on securities (including brokers' loans) and their commercial loans and bought some corporate bonds. Bank failures have declined appreciably.

Money rates in the open markets eased through the week. The New York Reserve Bank followed its reduction of discount rate by one in its bill-buying rate. Time and commercial loans declined ¼%, federal funds were easier, and acceptances dropped.

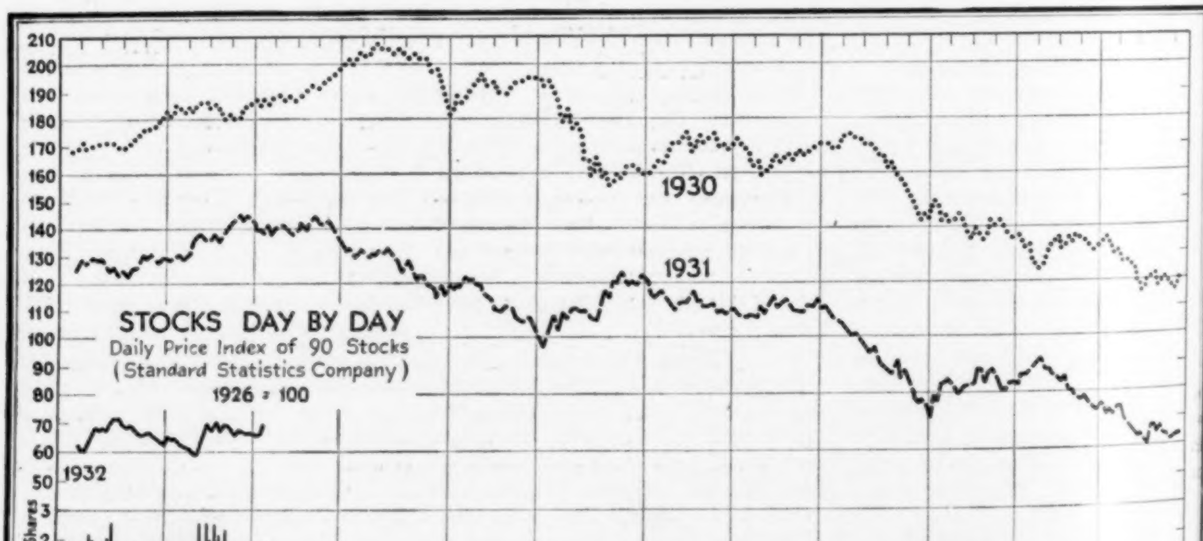
Abroad numerous signs of credit relaxation appeared, including reductions of the bank rates of Sweden, Norway and Chile. Another cut is expected in London, and possibly one in Berlin. England's position is appreciably better: she was able to repay most of the credit she obtained last fall to defend sterling, and to repay it without gold loss. Germany is repaying part of her international credit.

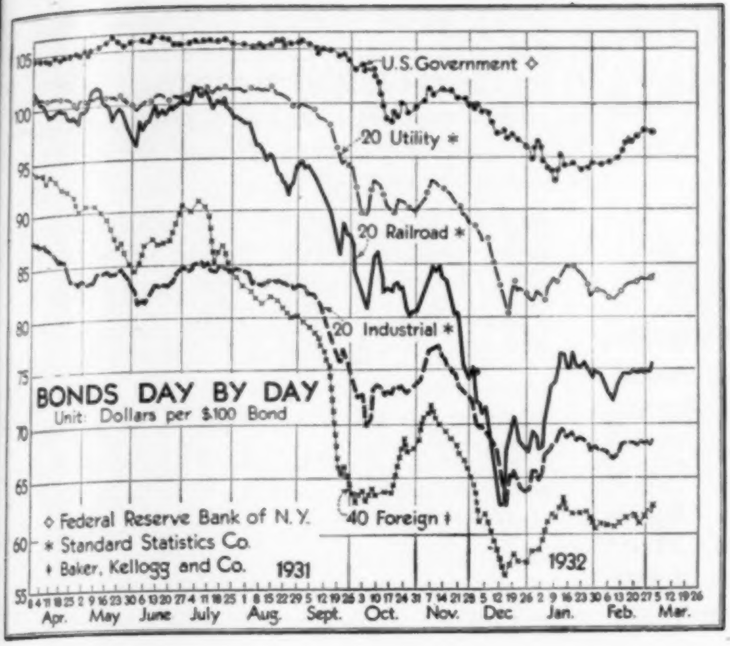
Stock Buyers Put On The Rose-Hued Spectacles

AFTER drifting almost motionless through several days of extreme dullness, stock quotations moved abruptly upward in midweek. Many issues went above their best marks for the year. The market now is exploring the possibilities of a new and higher range of prices. Industrials led the move of the week with a gain of 5.1%. Utilities rose 3.7% and railroads 1.7%.

Stock price movements just now are of special interest, for whatever they do must be taken as a measure of the financial community's forecast of the immediate future—which, in this case, means a forecast of the success or failure of the nationwide fight against depression.

A reflection of present conditions would mean lower stock prices. *The Business Week* index of business activity dropped through to a new low this week. Numerous dividend cuts were announced, and the Pennsylvania railroad





threatened a suspension of dividends. Earnings, beyond doubt, are considerably below the level of a year ago, and commodity prices are so far down as to injure all business.

The market, therefore, must look entirely to the future and that future is dependent upon the combined efforts of all the monetary machinery that has been set to work to stimulate business (page 5). The encouraging aspects are a general easing in money in several directions, strength in sensitive commodities. In addition, some technicians have read favorable signs into recent market action, and the rise in brokers' loans.

New Issues Edge Up To Rising Bond Market

BONDS continued their rise this week which means the continued generation of better feeling among all interested in long-term financing. The gain is still of moderate proportions, but the direction of the price movement is consistent.

High-grade issues received the additional stimulus of lower money rates this week, and their activity reflected this. In the lower-grade issues speculative buying continues. Rails were specially strong at times as more investors came to realize that, by Reconstruction Loans, the federal government is virtually guaranteeing the roads' fixed charges. Unusual strength was also shown in the higher-grade municipal market.

Government issues attracted considerable attention, rising even in the face of the considerable volume of new financing which is now imminent. On Mar. 15 the Treasury must find at least about $900 millions of which $300 millions or thereabouts will be new money. The Treasury will be one borrower to benefit directly and immediately from the lower money rates which have come this week. The Treasury deficit for 8 months was $1,781 millions.

Pricking Up Their Ears

Flutterings of new activity and negotiations were apparent in issuing houses. The show of strength in bonds is encouraging to those who want to borrow in the long-term market, and the issuing houses are most anxious to get the business. However, there was little tangible in the way of new issues during the week. The extent to which new long-term financing has fallen off can be measured by contrasting the total of only $73.5 millions done in January and February this year with $627.9 millions in the same period of 1931.

But, as in the stock market, signs of better business must appear soon to support the rising quotations if the movement is to continue far. These are still virtually absent.

The March 1 interest payment day was passed with defaults relatively small in view of general conditions. The Wabash Railroad was the only domestic issue to fail to meet its payments. Four South American issues joined the considerable list of foreign bonds that are in default.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

March 9, 1932

The Big Push

THE National Credit Corporation, the Reconstruction Finance Corporation, and the amendments to the Federal Reserve Act are three successive steps, progressively more comprehensive and powerful, taken by the Administration to check the deflation process, break up a frozen credit situation, and start the currents of recovery flowing. The tremendous drive of government and the central banking system toward credit expansion is now begun.

These things together mean that the largest-scale experiment in economic history is now being undertaken in the United States for the specific purposes of restoring to use in the channels of commerce the cash and credit currency which has been withdrawn through hoarding, bank suspensions, and bank credit liquidation during the past two years.

The underlying significance of this effort lies in the hope that it may restore the price level of commodities, services, and capital investments which prevailed with a fair degree of stability from 1922 to 1929. If this can be done by organized, aggressive action of the government and the central banking system through the regular banking, investment, and security market machinery it may be possible to sustain the fixed charges and debt burdens, public and private, which were incurred on a vast scale during the ten years before 1929. If the experiment does not succeed, universal default and writing down of capital values will be inevitable. Two conditions will determine its success or failure henceforth.

First is the prompt response of the commercial banks, especially the member banks of the Reserve system, in meeting demands for credit accommodation for legitimate business purposes from local merchants, manufacturers, and farmers. The last alibi is removed for those banks that have been following a policy of extreme liquidity. If the banks continue this policy, remain content with having attained their own security, cease to perform the proper functions of banking institutions, and proceed on the assumption that further business expansion and rapid recovery are not to be encouraged until all "readjustments" are completed, not only will the Administration measures be of no avail, but the fancied security of the banks themselves will prove a delusion.

Second, and equally important, is prompt revival of credit demand through aggressive resumption of business initiative. If this is not forthcoming the banks will fall back on their old alibi for sitting tight—the plea that business doesn't want any more credit. This excuse will be justified if business men, like bankers, continue skeptical of the possible expansion of the American market, if they feel that they are already over-equipped and sufficiently efficient, if they are satisfied to sit back and wait to see what the other fellows do. They must be willing to snap into the situation that has been prepared, release once more the old speculative spirit of American enterprise, take a chance on borrowing some more money, insist on getting it out of the strengthened banking system, use it to stock up materials, improve obsolete equipment, employ more men, make more goods, and put some of it into intensive market development.

The money and credit necessary for business recovery and reconstruction of American prosperity are now made available. The government and the Reserve system have done and are doing all that could reasonably be expected of them to replenish depleted and immobilized credit resources of the country. The challenge is now to the commercial bankers and business executives jointly. The time has come for them to follow through with the big push that will put business over the top.

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